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KARL MARX'S Great Discovery

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The Dual-Nature-of-Labour Doctrine: Its Methodological Role

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ВЕЛИКОЕ ОТКРЫТИЕ КАРЛА МАРКСА

Методологическая роль учения о двойственном характере труда

На английском языке

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CONTENTS

Page

Foreword 9

PART ONE

THE METHODOLOGICAL ROLE OF MARX'S DUAL-NATURE-OF-LABOUR DOCTRINE FOR ANALYSING CAPITALISM . . 15

Chapter One. The Dual Nature of the Commodity-Producers' Labour as the Starting Point for a Scientific Analysis of Capitalism 16

1. The Basic Structural Uniformity of Commodity Relations
2. The Characteristic Features of the Dual Nature of Labour as a Phenomenon of Commodity Production. Some of Its Contemporary Specifics 25
3. The Dual-Nature-of-Labour Problem in the Works of Marx's Predecessors 34
4. The Development of Internal Contradictions of the Dual Nature of Labour under Capitalism 42

Chapter Two. The Clue to the Dual Nature of Commodities and Money 57

1. The Commodity: a Contradictory Unity of Use-Value and Value 57
2. The Dichotomy of the Commodity World into Commodities and Money. The Dual Structure of Money . . 74
3. The Historical Nature of Money. The Duality of Monetary Crises 81
4. Labour Productivity: the Productive Power (Productiveness) of Labour and the Intensity of Labour 103

Chapter Three. Marx's Discovery of the Economic Law of the Movement of Capitalism and the Dual Nature of Labour . . 116

1. The Significance of the Dual-Nature-of-Labour Doctrine for a Scientific Approach to the Problem of the Origination of Surplus-Value 116

2. The Dual Nature of Labour-Power as a Commodity, and the Duality of the Factors Determining the Magnitude and Dynamics of Its Value 121
3. The Two-Fold Structure of the Working-Day under Capitalism and Capitalist Exploitation 129
4. Capitalist Production as a Contradictory Unity of the Labour-Process and the Value-Expanding Process . . 137
5. Two Aspects of Productive Labour under Capitalism . . 146

Chapter Four. The Production of Surplus-Value: Two-Fold Methods 165

1. Abstract Labour and the Production of Absolute Surplus-Value 165
2. The Wage-Worker's Concrete Labour and the Production of Relative Surplus-Value 173
3. The Subordination of Labour to Capital: Formal and Real 177

Chapter Five. Two Aspects of Wages under Capitalism . . . 183

1. Nominal and Real Wages 183
2. Contradictions in the Movement of the Value of Labour-Power, and of Nominal and Real Wages under Capitalism Today 186

Chapter Six. The Dual Nature of Labour and the Processes of Capitalist Reproduction 209

1. The Circulation of Industrial Capital in the Light of the Dual Nature of Labour 209
2. Duality of Capital Accumulation and of Its Factors . . 215
3. The General Law of Capitalist Accumulation. Absolute and Relative Worsening of the Condition of the Working Class 221

Chapter Seven. The Methodological Importance of the Dual-Nature-of-Labour Doctrine for Analysing the Economy of Imperialism 234

1. The Concentration of Production and Capital: the Two-Fold Process in Which Capitalist Monopoly Is Formed 236
2. Finance Capital, the Result of the Merger of Industrial and Banking Monopolies 241
3. The Contradictions between the Material (Natural) and the Value Aspects of the Export of Capital 249
4. The Two-Fold Economic Basis of Neocolonialism . . . 252

Chapter Eight. What Marx's Dual-Nature-of-Labour Doctrine Signifies for a Critique of Present-Day Bourgeois Political Economy 258

1. The Dual Nature of Labour and Marx's Critique of Bourgeois Political Economy 260
2. Periods of the Socio-Historical Process: the Sectoral Approach 267
3. Bourgeois Economics: Fetishist Categories and Conceptions 272

PART TWO

THE DUAL NATURE OF LABOUR AND THE POLITICAL ECONOMY OF SOCIALISM: METHODOLOGICAL ASPECT . . 285

Chapter Nine. The Logic of Marx's *Capital* and the Methodology of the Political Economy of Socialism 287

Chapter Ten. The Importance of the Dual-Nature-of-Labour Doctrine for Analysing the Socialist Economy 296

1. Two Points of View 296
2. The Methodological Role of the Dual-Nature-of-Labour Doctrine for Analysing Commodity-Money Relations under Socialism 298
3. Specific Features of the Dual Nature of Labour under Directly Social Production 302
4. The Dual Nature of the Socialist Product 305

Chapter Eleven. The Category of Socialist Labour: Its Dual Nature 314

1. The Dual Nature of Productive Labour under Socialism
2. Two Aspects of the Quality of Socialist Labour 317
3. The Two-Fold Content of Socialist Labour 329
4. Socialist Emulation: Its Techno-Production and Socio-Economic Aspects 333
5. The Dual Nature of the Socialist Discipline of Labour 337

Chapter Twelve. The Dual Nature of Directly Social Labour and Some Aspects of Socialist Reproduction 344

1. Two Aspects of Socialist Reproduction 344
2. The Concept of Gross Product in the Light of the Dual-Nature-of-Labour Doctrine 348
3. The Value and the Material (Natural) Movement of the National Income 354
4. Two Aspects of the Law of Balanced Proportionate Economic Development 359

Chapter Thirteen. The Socialist Way of Life as an Economic Phenomenon and Its Two-Fold Structure 365

1. Socialist Way of Life as an Economic Concept . . . 366
2. The Concrete Economic and Socio-Economic Aspects of the Socialist Way of Life 370

Conclusion 376

Subject Index 382

Name Index 385

To Alexei Georgievich Kulikov,
his wisdom, modesty, courage and kindness

FOREWORD

> "The best points in my book are: 1) the *two-fold character of labour*, according to whether it is expressed in use-value or exchange-value. (*All* understanding of the facts depends upon this.) It is emphasised immediately, in the *first* chapter; 2) the treatment of *surplus-value independently of its particular* forms as profit, interest, rent, etc." (from Marx's letter to Engels of August 24, 1867, which he wrote immediately after completing the preparation of Volume One of *Capital* for the press).

This is a book on the methodology of economic analysis, a key problem of political economy. It is an examination of the methodological role of Karl Marx's doctrine of the dual nature, or two-fold character, of labour, whose importance for the development of economic science it is hard to exaggerate.

William Petty, Adam Smith and David Ricardo, the great English economists of the 18th-early 19th century, already had an inkling that labour was the basis of all economic phenomena and that it had a complex structure which left its mark on the structure of all economic phenomena and processes, but the scientific theory of the dual nature of the labour performed by commodity-producers was first worked out by Karl Marx in London in the 1850s and 1860s, when he demonstrated its paramount methodological role and applied it to his scientific analysis of the capitalist commodity production. [1]

The dual-nature-of-labour doctrine played an outstanding part in Marx's revolution in political economy, because "*all* understanding of the facts depends upon this", as Marx himself insisted. [2]

I shall never forget my amazement at the boundless vista in the scientific analysis of economic phenomena in the light of the doctrine of the two-fold character of labour

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[1] Marx first set forth his dual-nature-of-labour doctrine in his work *A Contribution to the Critique of Political Economy* (1859).

[2] Marx, Engels, *Selected Correspondence*, Progress Publishers, Moscow, 1982, p. 180.

which suddenly opened before me at an economic seminar in 1947: I was then a fourth-year student at the Moscow State Economic Institute, and I was overwhelmed at the prospect. I owe much of the scientific interest kindled by the doctrine to my teacher, Professor I. A. Doroshev, who was guiding the seminar.

I summed up some of my experience in applying Marx's doctrine of the dual nature of labour in my research and teaching in an article entitled "The Point of Departure in Politcial Economy",[1] and several other works.[2]

That article is most relevant to this book, for it induced V. Lantsov, then a post-graduate student at the Department of Political Economy at the Academy of Social Sciences, to take a deep scientific interest in the problem it dealt with. The result was a joint work—*The Marxist-Leninist Theory of Value (Methodological Problems)*, Mysl Publishers, Moscow—which was published in 1971 as our first essay in presenting a systematic exposition of the methodological role of the dual-nature-of-labour doctrine.

The most resolute step towards the present book was my publication of the matter which makes up its Part One in the form of a book entitled *Karl Marx's Great Discovery* (Mysl Publishers, Moscow, 1980), and several other works on the problems in applying the doctrine to the analysis of economic phenomena of capitalism and the critique of bourgeois economic theories.[3] The book was well received by scientific opinion, as will be seen, in particular, from the positive reviews carried by a number of leading economic and socio-political journals in the USSR and several other socialist countries, and also from the fact that it was rapidly sold out.

The present edition differs essentially from that book chiefly in that it contains, for the first time, a Part Two which deals entirely with the methodological role of the dual-nature-of-labour doctrine as applied to the analysis of economic phenomena of socialism, a scientific problem that

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[1] See *Voprosy ekonomiki* (Questions of Economics), No. 5, 1968.

[2] See "Capitalist Reproduction and Labour-Power Value Dynamics", in: *Capitalist Reproduction in Present-Day Conditions*, Mysl Publishers, Moscow, 1966 (in Russian); and articles in *Voprosy ekonomiki*, No. 7, 1967, and No. 1, 1969.

[3] See V. Afanasyev, *Bourgeois Economic Thought 1930s-70s*, Progress Publishers, Moscow, 1983; and an article in *Voprosy ekonomiki*, No. 11, 1975 (translated in the United States in *Problems of Economics*, No. 8, Vol. XX, December 1977).

has yet to be fully elaborated. Paragraphs 2 and 3 of Chapter Two, analysing the highly intricate problems of the theory of money and of money relations under capitalism, have been substantially reworked, in the light of the doctrine, by myself together with Professor A. Galchinsky, a well-known Soviet scientist and the author of several in-depth studies of money relations under capitalism today.[1] The Chapter on imperialism has been expanded through the inclusion of a paragraph on the two-fold economic basis of neocolonialism. The facts and figures have been brought up to date, and a conclusion specially written to give a generalised presentation of the historical character of the dual nature of labour.

V. Lantsov and I first got down to studying the methodological role of the dual-nature-of-labour doctrine in the context of a socialist economy back in the 1970s, but we first set forth a summary of our views on the matter in a Bulgarian economic journal in 1981 in an article entitled "The Problem of the Two-Fold Character of Labour under Socialism", and also in several other jointly written works.[2] Those are the publications which marked the point of departure in our elaboration of Part Two of this book.

The dual nature of labour is an expression of some universal law of the dual structure of all phenomena of the material and spiritual world.

It does not take much depth of vision to see that all phenomena and processes in Nature, society and thought are intrinsically two-fold, for each is essentially a unity of opposites: the northern and southern poles of the magnet, positive and negative electric charges, attraction and repulsion, assimilation and dissimilation (i.e., absorption and excretion) as the processes in the vital activity of all living organisms; a duality in man's inner structure: the right-

[1] A. S. Galchinsky, *The Methodological Problems of Money Relations in the Works of Karl Marx*, Vishcha Shkola Publishers, Kiev, 1979; "The Function of Measure of Value: the Mechanism of Realisation", *Mirovaya ekonomika i mezhdunarodniye otnosheniya* (World Economics and International Relations), No. 7, 1980; "Marx on the Development of Money Relations: Questions of Methodology", *Voprosy ekonomiki*, No. 5, 1984; *Karl Marx on the Historical Nature of Money Relations (A Methodological Aspect)*, Mysl Publishers, Moscow, 1985.

[2] *Problemie na Truda*, No. 4, 1981; see also *Voprosy ekonomiki*, No. 3, 1983, and *Planovoye khozyaistvo* (Planned Economy), No. 2, 1983, No. 7, 1985.

hand and left-hand organisation of the human body (the circulatory and nervous systems, some of the internal organs, like the lungs, the kidneys, and the brain, and of some of the external organs, like the hands, the feet and the eyes), and so on.

Such a dual structure is clearly manifested not only in natural phenomena and processes, but also in social life, as will be clearly seen from the division of the society into hostile classes under the domination of any form of private property in the means of production (slaves and slave-owners in the ancient world, serfs and feudal lords under feudalism, and wage-workers and capitalists in the bourgeois society), the unity and antithesis of commodity and money, of the use-value (utility) and value of commodities, etc.

The unity and struggle of opposites in contemporary social life is most pronounced in the coexistence and contest between the two fundamentally opposite socio-economic systems: capitalism (which increasingly slows down the development of the society's productive forces, most manifestly expressed in the deepening crisis processes of the world capitalist economy since the mid-1970s, and which now poses an immediate threat to mankind's very existence) and socialism (which opens up before mankind the prospect of rapid scientific and technical, socio-economic and moral progress in peace).

This dichotomy of unity into its opposites now and again assumes tragic forms, but then it also assumes the most fascinating and profoundly poetical form of the division of the human race into men and women. But the dichotomy of unity and the struggle of opposites is a universal law and the motive force in the development of all phenomena and processes in nature, society and thought. Indeed, says Lenin, "The splitting of a single whole and the cognition of its contradictory parts ... is the *essence* ... of dialectics." [1]

Human labour, a unique and enigmatic phenomenon, also has a dual nature. [2]

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[1] V. I. Lenin, "On the Question of Dialectics", *Collected Works*, Vol. 38, Progress Publishers, Moscow, 1980, p. 357.

[2] While being a source of livelihood, "labour created man himself" (Frederick Engels, *Dialectics of Nature*, Progress Publishers, Moscow, 1974, p. 170).

Nowadays, labour no longer simply adapts the substance and forces of Nature to human wants, for it has a global effect on the Earth and has broken through into outer space. As labour transforms nature it also transforms man, being a necessary condition for his

On the one hand, labour is a useful and purposeful form of human production activity, and on the other, it is an expenditure of man's physical, mental and nervous powers on the production of goods, which assumes different social forms in different socio-economic conditions. It is this two-fold structure of labour that makes for the duality of all the phenomena and processes of economic life and gives the clue to their scientific analysis, including the paradoxical growth of the exploitation of the working class as capitalist production is increasingly automated.

That the labour of wage-workers is the sole source of capitalist profit is a long-established fact in economic science, which is why—all other things being equal—the greater the number of workers exploited by the capitalist, the larger his profits, a view actually also held by Adam Smith and David Ricardo, the classics of English bourgeois political economy.

Meanwhile, a denial of that truth seems to come from automation: it has transpired with its development that the higher its level at a capitalist enterprise and, accordingly, the smaller the number of workers it employs, the higher is—other things being equal—capitalist profit. The stepped-up capitalist exploitation of the working class through the development of automated production outwardly appears in an extremely distorted form: the dwindling number of workers at automated enterprises seems to suggest that capitalist exploitation is reduced or even entirely eliminated (the answer to this problem will be found in the opening paragraph of Chapter Eight).

Our purpose in this book is a limited one, and it is to draw the attention of analysts of economic phenomena to Marx's doctrine of the dual nature of labour as a methodological principle of analysis. We lay no claim to any exhaustive presentation of the problem, and merely sketch out the key aspect of this principle, which is the development of the internal contradictions of the processes of concrete and abstract labour, above all in Paragraph 4 of Chapter One. Such an exhaustive analysis can only be done with the advance of scientific political economy as a whole.

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physical, mental and moral development. Labour is the crucial form in which man's creative potentialities are most comprehensively realised, the form of his full and socially useful self-expression.

Marx's discovery of the dual nature of labour as the methodological principle in analysing economic phenomena is among the greatest accomplishments of the human genius and one that perhaps ranks only with the discovery of the structure of the atomic nucleus, which gave an insight into the structure of matter, Darwin's theory of the evolutionary origin of species, and Einstein's development of the theory of relativity.

The fact is that the special studies of the methodological role of Marx's dual-nature-of-labour doctrine and the application of this methodological principle in practice fall short both of the scope of Marx's discovery and of the exceptional methodological potentialities which it holds out to economic science.

Part One of this book was written by V. Afanasyev, with the exception of Paragraph 4 of Chapter One, which was prepared by V. Lantsov, while Paragraphs 2 and 3 of Chapter Two were prepared together by V. Afanasyev and A. Galchinsky.

Part Two and the conclusion were written together by V. Afanasyev and V. Lantsov.

V. Afanasyev

Moscow, April 1984

Part One

THE METHODOLOGICAL ROLE OF MARX'S DUAL-NATURE-OF-LABOUR DOCTRINE FOR ANALYSING CAPITALISM

Chapter One

THE DUAL NATURE OF THE COMMODITY-PRODUCERS' LABOUR AS THE STARTING POINT FOR A SCIENTIFIC ANALYSIS OF CAPITALISM

Marx was the first man to establish that labour which creates commodities has a two-fold character, and it was he who introduced the categories of abstract and concrete labour which have now become the key concepts of the proletariat's scientific political economy.

The elaboration of these categories was one of the great discoveries of the founder of scientific socialism and marked an entire epoch in the history of political economy. Marx did more than discover the dual nature of commodity-producing labour; he showed the exceptional methodological role of the dual-nature-of-labour conception and brilliantly applied it in his scientific analysis of capitalism.

These categories are a reflection of the two aspects of the commodity-producers' labour, and the whole of this book is designed to show the content of these two categories and their role in political economy. But before we go on, we must give the most general definitions of these two categories.

Concrete labour is the useful form of the commodity-producers' labour which is expressed in the great diversity of commodities, production operations and trades. Concrete labour is exemplified in the useful form of the shoe-maker's labour, whose products are boots and other types of footwear, or the useful form of the tailor's labour, who makes clothes.

Abstract labour is the other aspect of the labour contained in commodities, and it is the expenditure of the commodity-producers' physical, mental and nervous powers which assumes a definite social form. The production of any commodity always requires some expenditure of human

labour, regardless of the useful form in which that labour is performed, and it is the social form of this aspect of the commodity-producers' labour that is abstract labour.

While this distinction appears to be a most simple one, no economist before Marx was able to draw it.

Marx's discovery of the two-fold nature of the labour contained in commodities was an outstanding event in the history of political economy and a most important component element of his revolution in the science, for it is the element on which all understanding of the facts of the capitalist mode of production ultimately rests.[1] It provided the foundation on which Marx erected his strictly scientific theory of the formation, development and decline of the capitalist mode of production, and the basis for his labour theory of value and his law of surplus-value, the economic law underlying the movement of the capitalist formation. Having in mind the exceptional importance of his theory of the two-fold character of labour for a comprehension of the problems of surplus-value, Marx wrote: "This is, in fact, the whole secret of the critical conception."[2]

Marx's discovery of the dual nature of labour enabled him to solve the central theoretical problem of the political economy of capitalism which had defied the efforts of progressive social thinkers from the latter half of the 18th century to the early 19th century. It was a discovery that was to explain in truly scientific terms the *whole aggregation* of the phenomena of the capitalist economy from the standpoint of the law of value, its intrinsic basis.

1. The Basic Structural Uniformity of Commodity Relations

Marx was so sure of the great importance of his discovery of the dual nature of the commodity-producers' labour that he ranked it with his discovery of the law of surplus-value, and he said as much in his letter to Engels of August 24, 1867, which he wrote immediately upon completing his preparation of Volume One of *Capital* for the press.[3] It is generally known, however, that the law of surplus-value is the principal law of capitalism, and in

[1] See Marx's letter to Engels in Manchester of August 24, 1867, in: Marx, Engels, *Selected Correspondence*, p. 180.

[2] Marx to Engels in Manchester, January 8, 1868, in: ibid., p. 186.

[3] See Marx, Engels, *Selected Correspondence*, p. 180.

the Foreword to the first edition of Volume One of *Capital*, Marx says: "It is the ultimate aim of this work, to lay bare the economic law of motion of modern society". [1] And this law is the law of surplus-value, which determines the origination, development and decline of capitalism, the law which makes the exploitation of the working class by the bourgeoisie, and the class antagonism between labour and capital in the bourgeois society, objectively inevitable. That is why Lenin believed the doctrine of surplus-value to be the cornerstone of Marx's economic theory. [2]

The doctrine of surplus-value has an *exceptional methodological role* in analysing the capitalist mode of production and in bringing out its socio-economic substance and the specific economic laws of capitalism. In a preface to Volume Two of *Capital*, Engels says that it helped to explain a fact "which was destined to revolutionise all economics, and which offered to him who knew how to use it the key to an understanding of all capitalist production". [3]

Indeed, it was with the discovery of surplus-value, which brought about a revolution in political economy, that Marx ranked his discovery of the two-fold nature of labour.

We believe that the dual-nature-of-labour doctrine is so important for the revolutionary theory of the working class because in it Marx showed a most important, even if highly peculiar, economic uniformity, namely, the *basic structural uniformity of commodity relations* operating within the framework of the law of value and most fully expressed under capitalism, the highest stage in the development of commodity production.

When examining this uniformity, note should be taken of the following circumstances:

1) Marx established that the commodity-producers' labour has a two-fold nature: on the one hand, it is concrete labour and the source of the commodity's use-value, and on the other, it is abstract labour, and the source of the commodity's value. Marx says: "I was the first to point out

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[1] Karl Marx, *Capital*, Vol. I, Progress Publishers, Moscow, 1974, p. 20.

[2] See V. I. Lenin, "The Three Sources and Three Component Parts of Marxism", *Collected Works*, Vol. 19, Progress Publishers, Moscow, 1980, p. 26.

[3] Karl Marx, *Capital*, Vol. II, Progress Publishers, Moscow, 1978, p. 16.

and to examine critically this two-fold nature of the labour contained in commodities." [1]

2) At the same time, labour is the basis of all human economic activity, so that all economic phenomena and processes theoretically reflected in the categories of political economy are no more than various manifestations of human labour (its functioning, results and consequences, content and socio-economic form, etc.).

3) Since labour is the basis of all economic phenomena and acquires a two-fold character under commodity production, it follows that all economic phenomena likewise acquire a two-fold character.

It is that objective connection of cause and effect between the dual nature of labour, as embodied in commodities, and the dual nature of all the phenomena and processes of the commodity economy that constitutes the content of the *basic structural uniformity of commodity relations*, a uniformity which determines not only the duality of all the phenomena of the commodity economy, but also the character of that duality and its connection—immediate or mediated—with the concrete and abstract labour of the commodity-producers.

That is what determines the exceptional methodological role of the doctrine of the dual nature of the labour contained in commodities.

It is not the socio-economic substance of the phenomena of commodity production in the various socio-economic formations that is determined by the basic structural uniformity of commodity relations, for that is the function of the main economic laws of these formations. *The basic structural uniformity of commodity relations is not a specific but a general law of all socio-economic formations with commodity production.* It is a uniformity which is most highly developed under capitalism, all of whose economic phenomena are known to assume the form of commodities, which is why Marx discovered and analysed the uniformity in the light of the data provided by the capitalist economy, and which is also why the analysis of this uniformity and its most important manifestations under the capitalist mode of production is most significant.

The dual nature of the labour embodied in commodities, which predetermines both the dual nature of every phenom-

[1] Karl Marx, *Capital*, Vol. I, p. 49.

enon and process in the capitalist economy, and also the character of that duality, makes it possible to draw a clear distinction in the phenomena of the capitalist economy between their material (natural) content, which is directly connected with concrete labour and the use-value it creates, and their socio-economic form, which springs directly from the role that abstract labour and the commodity value which it creates have to play within the capitalist relations of production. Consequently, the phenomena of the capitalist economy are, on the one hand, diverse manifestations of the processes of concrete labour, and on the other, manifestations of the processes of abstract labour, which in their unity constitute an aggregation of economic processes and phenomena of the capitalist mode of production.

Let us note that by processes of concrete labour here is meant the aggregation of economic phenomena directly connected with the functioning of concrete labour, such as the process of labour as the process in which the commodity's use-value is created, and in which the useful form of labour, i.e., concrete labour, has the crucial role to play; the commodity's use-value which results from the functioning of concrete labour; the factors of the labour process as the process of the creation of use-value set in motion by concrete labour; the process of the transfer of the old value from the means of production to the newly-created commodity effected by concrete labour; the relative surplus-value whose distinctions from absolute surplus-value spring from the fact that it results from the rising efficiency of concrete labour under the capitalist mode of production; the productive power of labour as an expression of the efficiency of concrete labour; the actual subordination of labour to capital, the control of the labour process, and so on.

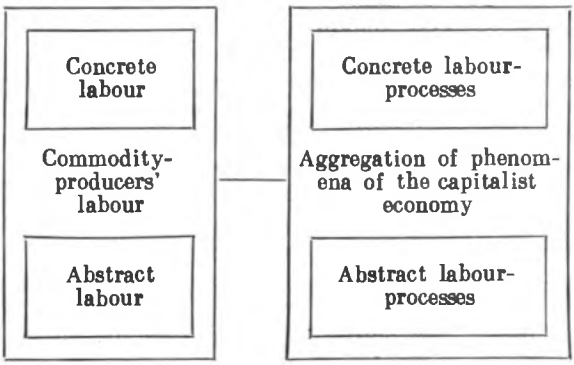
By the same token, phenomena directly stemming from the functioning of abstract labour are known as processes of abstract labour, such as commodity-value as the result of the functioning of abstract labour; the expansion of value as a process in which surplus-value is created by surplus abstract labour; surplus-value, as such, irrespective of its concrete forms; absolute surplus-value, whose distinctions from relative surplus-value are directly connected with the fact that the former results from an increase in the expenditure of the wage-worker's abstract labour in the course of a definite period of time, say, a working-day; formal subordination of labour to capital; the control of the expansion

of value as the process in which the working class is exploited by the bourgeoisie, and so on.

All of these are, of course, organically interrelated aspects of economic phenomena of capitalism, because abstract labour-processes do not exist separately from the corresponding concrete labour-processes, just as, incidentally, the latter are organically connected with the former. But it is necessary to draw a distinction of these two aspects in any theoretical analysis, because that alone can help to avoid mistakes in solving the complicated problems of the political economy of capitalism.

The objective interconnection between the dual nature of the labour contained in commodities and the two-fold structure of all the phenomena of the capitalist economy, constituting the content of the basic structural uniformity of commodity relations in its specific capitalist form, will be seen from the following diagram:

Fig. 1[1]



The place of a given economic phenomenon within the system of the economic relations of the capitalist mode of production can be established in the light of the dual-nature-of-labour doctrine (because it helps to bring out the inner structure of any economic phenomenon of the capitalist commodity economy and so also of the entire aggrega-

[1] These diagrams lay no claim to showing the whole range of causal connections between economic phenomena in capitalist commodity production and the dual nature of the commodity-producers' labour. Their main purpose here is to illustrate the sequence of economic phenomena and to show whether they belong to processes stemming directly from concrete labour, from abstract labour, or simultaneously from both.

tion of these phenomena), and that is of great scientific and practical importance. The dual nature of the labour contained in commodities determines the basic systemic quality of commodity, and so of capitalist, production—the dual nature of all its inherent economic phenomena—outside the context of which it is impossible either correctly to formulate or solve any problem whether of scientific theory or of the practice of the capitalist mode of production.

Progressive social thinkers long strove to discover the mysterious reasons for which the industrial proletariat remained in an oppressed and exploited condition after its emergence in the industrial revolution of the late 18th and the early 19th century, which marked the transition from manufactory to capitalist machine-production. At first, the oppressed workers vented their fury on the machines, which they believed to be the cause of their dire plight. In bursts of despair, the workers wrecked the machines in the hope of escaping from the capitalist exploitation, but the Luddite Movement,[1] as it came to be known, was doomed to fail because it attacked the material forms in which the oppressed condition of the working class was manifested, instead of the real causes.

That makes it clear how essential it is both for scientific purposes and for fulfilling the practical tasks of the working-class movement to draw a distinction between the social form and the material substance of economic phenomena, including capital as the relation of exploitation of the working class by the bourgeoisie. Once the place of capital within the system of economic relations of the society has been established, it follows that the exploitation of labour by capital cannot be eliminated unless the whole system of capitalist production relations is liquidated.

Machines were the concrete embodiment of exploitation for the Luddites, but in actual fact it assumes highly diverse forms, such as the principles on which modern capitalist production is organised and managed, the role assigned to science in the exploitative society, the existing system of the international capitalist division of labour (including the one-crop and one-commodity character of production in countries dependent on imperialism), and many other phenomena. The implication is that the working-class

[1] The movement was named after a man called Ludd, who was the first to wreck his machine in protest against the owner's oppression.

and national liberation movements should draw a clear distinction between the relations of exploitation which need to be eliminated, and the broadly viewed material (natural) forms which they assume, and ultimately between the processes of abstract and concrete labour.

Why does Marx's doctrine of the dual nature of labour have such a special methodological role? Why does the "comprehension of political economy", of all the facts of the capitalist mode of production, depend, as Marx insisted, on this doctrine?

Every part of any theoretical system consisting of individual categories or doctrines has some methodological role depending on the place and function of the economic phenomena and objective economic laws they reflect within the system of the actual relations of production of the mode of production being analysed. The greater the depth of the internal connections between economic relations which these categories and theories reflect, the more essential is that role. Thus, the theory of surplus-value, which reveals the "economic law of the movement" of the capitalist mode of production, and which in virtue of that has the central place in the theoretical system of the Marxist political economy, has the chief role to play in any analysis of the capitalist relations of production. The theory of this or that concrete form of surplus-value also plays an important methodological role, though undoubtedly a lesser one.

Nevertheless, it would be wrong to ignore the methodological role of theories of this or that concrete form of economic relations, in this case the concrete forms of surplus-value, because it is these forms that need to be explained by economic theory from the standpoint of the internal uniformities of the mode of production studied. The capacity to provide such an explanation of the outward forms of economic processes is a crucial criterion of the scientific nature of any economic theory.

Let us recall that even the best minds of the bourgeois classical school—Smith and Ricardo—found the concrete forms of surplus-value to be a stumbling-block, since, because of their class limitations, they were incapable of explaining these in the light of their basic premise, the labour theory of value. They were unable to understand, for instance, how profit originated if all commodities, including "labour" (as they termed it) were paid according to value. Nor were they clear as to why profit was proportional to

the magnitude of the advanced capital, which, as they correctly assumed, did not create value—and consequently did not create profit either—and was not proportional to the number of workers employed, whose labour was the sole source of value, and so also of profit. Ricardo's theory of differential rent, an exception in this respect, does nothing to change the overall picture, which casts doubt on the fundamental principles of classical bourgeois political economy.

Concepts of the concrete forms and manifestations of economic processes are, in a sense, the crowning elements of the whole edifice of a theoretical system and put the final conceptual and systemic touches to the whole. Their visible (and that is highly important) contradictions with the initial assumptions of economic theory provide the stimulus for deeper theoretical analysis. A different systemic role belongs to the theories of deep-running processes, for they are designed to disclose the qualitative tiers in the hierarchy of economic relations, to identify their substance, and to elaborate the basic categories and laws, i.e., to lay the very foundation of that theoretical system.

The theory of the two-fold character of labour is a reflection of the most elementary and general, and simultaneously also of the historically initial, relation of capitalism—the commodity relation—which in embryonic and dormant form contains within itself the whole profusion and complexity of the contradictory relations of the capitalist mode of production that have sprung from it. That is why this theory is, historically and logically, the point of departure in any scientific analysis of this mode of production.

Marx stressed the exceptional methodological significance of the dual-nature-of-labour theory and held it to be "the pivot on which a clear comprehension of Political Economy turns".[1] It is both a key element of the theoretical system and one of the crucial methods for analysing capitalist production. If the duality of all the phenomena and processes of the capitalist economy is based on the dual nature of the labour embodied in commodities, it follows that each of these phenomena and processes, like their aggregation, can be examined only in the light of the basic structural uniformity of commodity relations.

Marx showed that, in view of the dual nature of the

[1] Karl Marx, *Capital*, Vol. I, p. 49.

phenomena and processes of capitalist production, it is not right to analyse them only from the standpoint of their being connected with labour that is considered without any further definitions, for such an approach, while it did signify a great advance in science at a definite stage in the development of the classical bourgeois political economy, still tends to yield a one-sided, and so incorrect, interpretation of economic phenomena and processes of the commodity economy. He says: "The reduction of commodity to '*labour*' by all the earlier economists is ambiguous and incomplete. It is not enough to reduce commodity to 'labour', it is necessary to reduce it to *labour* in a dual form", in the form of concrete and abstract labour.[1] This kind of "reduction" cannot, of course, be limited to commodities as such, as this would confine the methodological role of the dual-nature-of-labour doctrine to a negligible one. In working out his theory, Marx himself applied the doctrine to the whole aggregation of the economic phenomena and processes of capitalism, the only approach that can help fully to characterise the structure of phenomena and processes of the capitalist commodity economy, something that is of exceptional importance for understanding their socio-economic substance.

The dual-nature-of-labour doctrine makes it possible and, in fact, requires the analyst to bring out the dual nature of all the phenomena and processes of commodity production, and here it has a three-fold role. First, it is a necessary condition for establishing the qualitative definiteness and thereby also the quantitative measure of the analysed phenomena and processes of the capitalist economy, which means that it is a necessary prerequisite for elaborating scientific politico-economic concepts. Second, it makes it possible theoretically to reproduce the historical process of the origination and development of the capitalist relations of production. Third, it helps to show the interconnection between the phenomena and processes of commodity production and to present them as a definite system of production relations.

In this way, the dual-nature-of-labour doctrine has three important methodological functions to perform: a conceptual, a genetic, and a systemic function. Its specific methodological role as the point of departure in the examination

[1] See *Marx-Engels Archives*, Vol. II (VII), Moscow, 1933, p. 38.

of capitalism is a concretisation of the dialectical method in political economy, including one of the fundamental propositions of historical materialism, i.e., that concerning the definitive role of material production and productive labour in the socio-historical process as applied to the specific subject-matter and tasks of political economy studying the capitalist commodity economy.

2. The Characteristic Features of the Dual Nature of Labour as a Phenomenon of Commodity Production. Some of Its Contemporary Specifics

Marx begins his analysis of capitalism with an examination of the commodity, which is the "economic cell-form" of the bourgeois society, and reveals its two-fold nature and the contradictory unity of use-value and value within it. He adds: "Later on, we saw also that labour, too, ... so far as it finds expression in value, ... does not possess the same characteristics that belong to it as a creator of use-values." [1] In one of his articles, Engels says that Marx's analysis of the two-fold nature of labour is one of his "finest". [2]

The two-fold nature of the commodity-producers' labour is based on the two-fold function of labour-power, the repository of labour which becomes so specifically definite only under commodity production. On the one hand, labour-power is the key element of the society's productive forces, and as such, its function—labour—operates as useful, purposeful activity expressing man's active attitude to surrounding Nature (concrete labour). This also includes the relations between the participants in concrete labour within the framework of the aggregate worker, which have the character of their aggregate attitude to Nature. On the other hand, labour-power is simultaneously the necessary subject of social production relations, and as such its labour operates as the repository of the most important social connection and as a specific social production relation (abstract labour).

It follows that the two-fold nature of the commodity-producers' labour contains within itself the origins of all the contradictions of commodity production, and so also of the

[1] Karl Marx, *Capital*, Vol. I, pp. 48-49.
[2] Frederick Engels, "Wie man Marx nicht übersetzen soll", in: Marx/Engels, *Werke*, Bd. 21, Dietz Verlag, Berlin, 1962, S. 235.

capitalist mode of production. The antithesis between the commodity's use-value and its value, and consequently between concrete and abstract labour, which permeates the capitalist economy, is, for that reason, one of the crucial forms in which is manifested the essentially antagonistic antithesis of the productive forces and the relations of production of that mode of production.

At every historical stage of social development, labour appears, on the one hand, as a useful, purposeful form of labour, and on the other, as the expenditure of man's physical and mental powers, as "labour in general". However, this duality assumes the special historical forms of concrete labour and abstract labour only in the conditions of commodity production.

Useful labour is said to be that labour whose functioning yields a use-value, and which is characterised "by its aim, mode of operation, subject, means, and result".[1] Although the category "labour" is used here, what is actually meant is only one aspect of it, namely, the purposeful and useful form of labour which characterises its qualitative aspect. The qualitatively distinct use-values which go to satisfy diverse human requirements are the products of qualitatively distinct types of useful labour. Labour, as a creator of use-values, as useful labour, "is a necessary condition, independent of all forms of society, for the existence of the human race; it is an eternal nature-imposed necessity".[2]

The other aspect of labour is the expenditure of human labour-power—the power of the brain, sinews, nerves, etc.—considered independently of the useful form in which labour is expended. It is the expenditure of labour in the physiological sense, and it characterises primarily the quantitative aspect of labour. However, being considered independently of the useful, purposeful form of labour, such expenditure appears as "labour in general". It is this aspect of labour which assumes the form of abstract labour in the conditions of commodity production.[3]

The useful form of labour and "labour in general" characterise labour as a component element of the society's productive forces (alongside the means and objects of labour, i. e., machines, tools, and raw and other materials),

[1] Karl Marx, *Capital*, Vol. I, p. 49.
[2] Ibid., p. 50.
[3] See ibid., p. 79.

and here, like any other element of the productive forces, labour always assumes some social form which is determined by the dominant form of property in the means of production. In the conditions of commodity production, useful labour and labour in general assume the corresponding forms of concrete labour and abstract labour.

The dual nature of the commodity-producers' labour has resulted from the development of the contradictions between the private form and the social content of their labour. The commodity-producers' labour appears directly as their private labour, and the use-value they produce, its quantity, and the expenditure of their labour per unit of use-value all appear to be the private business of the individual commodity-producers. However, such labour is in reality a definite link in the chain of the social division of labour, and its social character is determined by the fact that the labour of the private commodity-producers has to be oriented towards the satisfaction of definite (quantitative and qualitative) social requirements and so develops with the development of such social requirements. In view of the contradiction between the private form of labour and its latent social content, labour can function only if its social content acquires an outward form of expression. Marx says: "Thus the *labour of individuals* has to be directly represented as its opposite, *social* labour; this transformed labour is, as its immediate opposite, *abstract, general labour,* which is therefore represented in a general equivalent." [1]

In this way, the contradiction between the individual, private form and the latent social character of labour unfolds into a contradiction between concrete and abstract labour.

With the origination and development of commodity production, "the labour of the individual producer acquires socially a two-fold character".[2] This is expressed in the fact that, on the one hand, the labour of individuals being definite types of useful labour, it appears in ever more diverse forms as elements of the naturally sprung system of the social division of labour, and on the other, it is designed to satisfy the ever greater diversity both of the personal and the production requirements of the producers

[1] Karl Marx, *Theories of Surplus-Value*, Part III, Progress Publishers, Moscow, 1975, p. 136.
[2] Karl Marx, *Capital*, Vol. I, p. 78.

themselves through the medium of exchange. The more elaborate the social division of labour, the more intensive is the commodity exchange and the fuller the abstraction from the concrete forms of labour and its reduction to abstract labour. Considering commodity production in a society with a high level of the social division of labour, Marx says: "Labour, not only as a category but in reality, has become a means to create wealth in general, and has ceased to be tied as an attribute to a particular individual."[1] In these conditions, the individual labour of commodity-producers is effectively reduced to the equivalent, social, abstract labour. A high level of the social division of labour is, therefore, a crucial prerequisite for the reduction of concrete labour to abstract labour. Marx says: "The most general abstractions arise on the whole only when concrete development is most profuse."[2]

Consequently, as commodity production comes on the scene, the producers' labour acquires a two-fold character: on the one hand, it is socially useful, concrete labour, and on the other, it is abstract labour, which reveals the social character of the equivalence of the various types of labour.

"The equalisation of the most different kinds of labour can be the result only of an abstraction from their inequalities, or of reducing them to their common denominator, viz., expenditure of human labour-power or human labour in the abstract." [3]

Marx emphasised that abstract labour was not a purely logical category or a result of some logical operation of abstraction from the useful concrete character of labour, but a category reflecting the actual process in which concrete labour is reduced to abstract labour and which occurs under commodity-money relations. Marx says: "This reduction appears to be an abstraction, but it is an abstraction which is made every day in the social process of production." [4] Consequently, it is a real abstraction reflecting the actual process of abstracting from the qualitative distinctions in labour in the course of commodity exchange and the revelation of abstract human labour in general,

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[1] Karl Marx, *A Contribution to the Critique of Political Economy*, Progress Publishers, Moscow, 1977, p. 210.

[2] Ibid.

[3] Karl Marx, *Capital*, Vol. I, p. 78.

[4] Karl Marx, *A Contribution to the Critique of Political Economy*, p. 30.

the substance which is common to all commodities. "The exchange of commodities is evidently an act characterised by a total abstraction from use-value. ... It is only by being exchanged that the products of labour acquire, as values, one uniform social status, distinct from their varied forms of existence as objects of utility." [1]

That abstraction reveals itself to be a reality also in that quantitatively abstract labour is the average, typical labour of commodity-producers: "This abstraction, human labour in general, *exists* in the form of average labour which, in a given society, the average person can perform." [2] That aspect of abstract labour is a reflection of the continuously ongoing actual abstraction from the individual quantitative and qualitative differences in the labour of individuals.

The reality of abstract labour is also revealed in the division of the commodity world into conventional commodities, the embodiments of use-value (concrete labour), and money, the embodiment of value (abstract labour). Whenever an ordinary commodity performs the function of general equivalent, however partially or temporarily, it is an indication that abstraction from use-value is far from complete, so that the specific of labour has not yet been erased from the commodity acting as the general equivalent. The origination of money, the peculiarities of its nature, and its properties are a reflection of the process in which abstract labour, its nature and properties are shaped. Money is the materialisation of abstract labour, and the reality of money is the reality of abstract labour.

All of this requires that a distinction should be drawn between labour in general, i. e., the expenditure of physical and mental labour on the production of goods, irrespective of the concrete form of labour expenditure, and abstract labour. Labour in general is the eternal condition for the society's existence and development, and it is transformed into abstract labour only in definite conditions, namely, under commodity production.

When in Volume One of his *Capital* Marx characterises abstract labour as the expenditure of human labour-power in the physiological sense of the word, he has in mind the conditions of commodity production in which labour in

[1] Karl Marx, *Capital*, Vol. I, pp. 45, 78.
[2] Karl Marx, *A Contribution to the Critique of Political Economy*, p. 31.

general is transformed into abstract labour, and this occurs whenever labour in general begins to act as the measure and regulator of exchange relations. Consequently, abstract labour is a specific historical form of labour in general which it acquires under commodity production, when the expenditure of labour on the production of commodities operates as a spontaneous measure of economic relations.

What then is the other aspect of the commodity-producers' labour, namely, concrete labour, the purposeful, useful form of labour which characterises its qualitative definiteness?

Is concrete labour a specific category inherent in commodity production in the same way as abstract labour is? Is it possible that one aspect of the commodity-producers' labour (abstract labour) should be a specific social form of labour connected with the commodity form of the product, while the other aspect of that same labour, a dialectical unity with the former aspect and developing together with it, should be a different, non-commodity form?

We believe that there is a need to draw a distinction between two aspects of concrete labour: first, the specific historical form of that labour which stems from the commodity form of social production, and second, the content of concrete labour which is determined by the properties of the use-value it produces, and thereby also by the character of the useful, purposeful form of labour.

Concrete labour does more than merely produce a product which is useful for consumption. It produces the use-value of the *commodity,* a social use-value which can be consumed only if the value of that commodity is realised by being converted into money. Social use-value, the repository of value in social terms, is known to be a socio-historical phenomenon. The use-value embodied in the commodity is a use-value designed for others, and not for the producer of the commodity. Marx says: "For that reason, use-value, as the use-value of the 'commodity', itself has a specific historical character."[1] Meanwhile, concrete labour is known to be the source of use-value, and as a specific historical form can be expended on the production of use-values originating from the commodity form of pro-

[1] Karl Marx, "Randglossen zu Adolph Wagners 'Lehrbuch der politischen Ökonomie'", in: Marx/Engels, *Werke*, Bd. 19, Dietz Verlag, Berlin, 1962, S. 370.

duction, e. g., on the production of money. There is no such expenditure of labour under non-commodity production.

In other cases, labour is expended in a concrete form imposed by a commodity—ultimately capitalist—form of production, and this is epitomised in the counterfeiting of goods, a wide-spread practice in the capitalist countries. The drive for maximum profits now and again results in the quality of goods being deliberately debased, so that use-value is either worsened (as when a product's service-life is reduced), or destroyed altogether (as in the adulteration of wines). When a product is faked, the useful, purposeful form of labour required by a definite type of social use-value is transformed into a specific form of concrete labour imposed on production by its capitalist form. The fabrication of weapons is spreading under present-day capitalism, and for a very good reason: these are a specific use-value originating from the impact of the capitalist form of production on the process of social production, when the capitalist commodity form of production imposes on useful labour a form which is not intended to satisfy human requirements and is oriented towards the destruction of the productive forces, instead of their development.

Different techniques can be used to produce a use-value, and one of the results of the influence exerted by the capitalist form of production on useful labour is the "scientific" sweatshop system, which not only intensifies labour to an extreme, but also gives it a concrete form in which the substance of labour is killed, transforming it into a purely mechanical and monotonous repetition of operations each of which has little to do with the labour that is determined by the character of the use-value produced. But does the reduction of the useful form of the worker's labour to a monotonous repetition of primitive and meaningless operations really spring from the character of use-value? It is a typical example of the way in which useful labour is modified into the commodity-producer's concrete labour under the influence of the capitalist form of production where labour activity is geared to the objective of maximising profits.

The process in which the actual subordination of labour to capital originates and develops also includes the modification of useful labour into concrete labour which is determined by the capitalist commodity character of produc-

tion and which consists in the worker's conversion into a partial tool, into an appendage of the machine. No wonder the actual subordination of labour to capital entails a growth of the productive power of labour and of the efficiency of concrete labour.

These examples show that useful labour as an expression of man's attitude to Nature and a key element of the society's productive forces is influenced by the capitalist relations of production.

Consequently, if abstract labour is a social form of labour in general (of the expenditure of physical and mental labour irrespective of form), useful labour likewise has a definite historical, social form, because the useful character of the commodity-producers' labour is influenced by the social relations in which labour is performed, the process which transforms it into concrete labour.

Let us recall that the use-value of commodities is studied by political economy only as a form in which social production relations are manifested or as a factor which exerts an influence on them (use-value as a form in which value is manifested, the use-value of labour-power as the capacity to produce value, the use-value of the instruments and objects of labour, since the technical composition of capital depends on it, which, for its part, has an influence on its value composition). With political economy in mind, Marx says that use-value "belongs in this sphere only when it is itself a determinate form".[1] But use-value, considered as a sum-total of physical, chemical, aesthetic and other properties of the commodity, is studied by commodity research. Similarly, labour producing use-value is studied in political economy only in social terms. Useful, purposeful labour as such is studied by the applied, technical sciences, while only the social form of human labour is dealt with by political economy.

Important changes both in concrete and abstract labour have been taking place in our day under the impact of the scientific and technical revolution (STR), the development of state-monopoly capitalism, and the rapid progress in the social division of labour. The development of new lines of production and technologies involving the use of non-mechanical forms of the motion of matter, such as

[1] Karl Marx, *A Contribution to the Critique of Political Economy*, p. 28.

nuclear energy, laser installations, space and missile hardware, computers, and cybernetic devices, tends to generate totally new trades and new types of concrete labour, so making considerable numbers of the old ones obsolete, while substantially raising the level of skilled labour-power, which is another changing characteristic of concrete labour. The most important changes in abstract labour consist in a sizable increase in the intensity of expenditure above all of the workers' mental, psychical and nervous powers and also the growing complexity of the labour they perform. The latter, as also, incidentally, the workers' rising skill standards, is expressed in the growth of the average number of years it takes to train various categories of labour-power. Thus, in the United States, in the 31 years from 1948 to 1979, the average number of years required to train non-skilled workers increased from 8.0 to 12.1 years, that is, by 50 per cent, semi-skilled workers, from 9.1 to 12.2 years, and skilled workers and foremen, from 9.7 to 12.4 years.[1]

These data show, among other things, that non-skilled workers in the United States nowadays have a much higher standard of education than skilled workers and foremen did just over a quarter-century ago: only 9.7 years for the latter in 1948, as compared with 12.1 years for the former in 1979, that is, 2.4 years, or 20 per cent, more. One should also bear in mind that not only has the education process become longer, but also much more complicated in content.

The growing complexity of the process of production and its science-intensity, which determines the growth of the complexity of labour, is also manifested in the growing share of scientific and technical personnel within the labour-power. Thus, in 1930, natural scientists and engineers constituted 0.6 per cent of the aggregate labour-power in the United States, and in 1972—2 per cent, i.e., a 3.3-fold increase. The share of technicians within the labour-power for that period went up from 0.04 per cent to 1.26 per cent, which means that over these 42 years, it increased 35.5-fold.[2]

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[1] *Employment and Training Report of the President of U.S.*, Washington, 1980, p. 295.

[2] See N. P. Ivanov, *The Scientific and Technical Revolution and Problems in the Structure of Labour-Power*, Nauka Publishers, Moscow, 1978, p. 56 (in Russian).

The dequalification of labour-power caused by the erosion of the creative content of labour, the conversion of the worker into an appendage of the machine, the growing duration of unemployment, and other factors, is another trend in the development of the dual nature of labour under present-day capitalism. Thus, in 1975, 21.1 million persons, or 22.7 per cent of the labour-power in the United States, were fully unemployed, with 26.6 per cent losing their jobs two or more times in that year, and 46.5 per cent three times and more.[1] A sizable part of the US unemployed have no work for a long period of time. In 1975, 1,203,000 persons had no work for 27 weeks and more, in 1976—1,348,000, in 1977—1,028,000, in 1982—1,776,000, in 1983—2,561,000, and in 1984—1,630,000.[2] Unemployment for half a year and more must, of course, cause a dequalification of labour-power and a corresponding reduction in its employment, and the growing average duration of unemployment tends to operate in the same direction. In the 1950s, unemployment in the United States averaged 10.31 weeks, in the 1960s—11.74 weeks, in the 1970s (from 1970 to 1978)—11.98 weeks, in 1982—15.6 weeks, in 1983—20.0 weeks, and in 1984—18.2 weeks.[3]

However, these processes do nothing to change the socio-economic substance of the dual nature of labour under present-day capitalism reflecting the profound class antagonism which is characteristic of that historically transient society.

3. The Dual-Nature-of-Labour Problem in the Works of Marx's Predecessors

In a letter to Engels dated January 8, 1868, Marx says that "the economists, without exception, have missed the simple point that if the commodity has a double character—use-value and exchange-value—then the labour represented by the commodity must also have a two-fold char-

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[1] *Monthly Labour Review*, No. 50, 1976, p. 50; *Economic Report of the President*, Washington, 1976, p. 196; 1977, p. 218.

[2] *Economic Report of the President*, Washington, 1983, p. 202; *Economic Indicators*, March 1983, p. 13; October 1984, p. 13; February 1985, p. 13.

[3] *Economic Report of the President*, Washington, 1979, p. 219; 1983, p. 202; *Economic Indicators*, October 1984, p. 13; February 1985, p. 13.

acter".[1] Marx shows that a failure to understand the dual nature of labour and an approach to the analysis of phenomena in capitalist commodity production on the strength of labour as such and without a consideration of its duality, confronted the theorists of the classical school with "inexplicable problems".[2] Theirs was an approach which could never yield a truly scientific solution to a single politico-economic problem.

Nevertheless, it was Marx's predecessors who first came up against the problem of the dual nature of labour, when considering the specifics of labour as the source of value. They were wrong in assuming that this or that type of concrete labour (the labour involved in mining gold or silver, farming, etc.) was the source of value, but in so doing they unwittingly came close to drawing a distinction between labour as the source of value, and labour as the source of use-value. Marx says that at the early stages in the development of bourgeois political economy, "the substance of value was regarded as definite, concrete labour, and not abstract labour with its measure, labour-time."[3]

Marx's discovery of the dual nature of labour marked the culmination of research into commodity production by members of the classical school of bourgeois political economy from William Petty to David Ricardo, while being a key component part of his revolution in political economy. Marx says: "The decisive outcome of the research carried on for over a century and a half by classical political economy ... is an analysis of the aspects of the commodity into two forms of labour—use-value is reduced to concrete labour or purposive productive activity, exchange-value to labour-time or homogeneous social labour."[4]

However, the limitations of the bourgeois mentality prevented the classics of that school from producing a scientific solution to the problem: they failed to go beyond reducing the value of a commodity to the labour expended on its production, and, what is more, to labour in general as an expression of man's nature, to the expenditure of his

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[1] Marx to Engels in Manchester, January 8, 1868, in: Marx, Engels, *Selected Correspondence*, p. 186.

[2] Ibid.

[3] Karl Marx, *Theories of Surplus-Value*, Part I, Progress Publishers, Moscow, 1969, p. 48.

[4] Karl Marx, *A Contribution to the Critique of Political Economy*, p. 52.

vital (mental and physical) energy, i.e., to labour in the physiological sense. The high point of their achievement here was the conclusion that labour was the sole source of a commodity's value, and that labour-time was the measure of the magnitude of value. Marx says: "Political Economy has indeed analysed, however incompletely, value and its magnitude, and has discovered what lies beneath these forms. But it has never once asked the question why labour is represented by the value of its product and labour-time by the magnitude of that value." [1]

They altogether failed to understand value as a specific social form of labour characteristic of the conditions of commodity production. Marx wrote about the classical school of bourgeois political economy as follows: "Even Adam Smith and Ricardo, the best representatives of the school, treat the form of value as a thing of no importance, as having no connexion with the inherent nature of commodities." [2] But the problem is of exceptional methodological importance, because without an understanding of the fact that value is merely a special historical form of human labour in general, the more developed capitalist forms proper (not only forms of commodity and money, but also forms of capital, labour-power as a commodity, etc.) remain unclarified. That, for its part, prevented the classical school from producing a truly scientific analysis of the whole aggregation of relations in capitalist production. Marx says: "The value-form of the product of labour is not only the most abstract, but is also the most universal form, taken by the product in bourgeois production, and stamps that production as a particular species of social production, and thereby gives it its special historical character." [3] And since classical bourgeois political economy laboured under the dogma that capitalism was everlasting, it proved to be incapable of discovering the social nature of the form of value of the product of labour, that specific historical form of labour, a fact which is highly indicative.

The view that the capitalist mode of production is an everlasting form of production inevitably deprives one of the understanding both of the social nature of the economic processes being studied, and of the specific forms which are characteristic of that mode of production.

[1] Karl Marx, *Capital*, Vol. I, pp. 84-85.
[2] Ibid., p. 85.
[3] Ibid.

The analysis of commodity relations by members of the bourgeois classical school was obviously one-sided. Under the influence of the quantitative method, they concentrated on the problem of value, on labour in general, and so still examined that aspect of the problem which is connected with abstract labour, while failing to show abstract labour as a specific historical form of labour in general. Meanwhile, concrete labour, as a special theoretical problem, was a question which altogether remained beyond their field of vision. Marx says: "As regards value in general, it is the weak point of the classical school of Political Economy that it nowhere, expressly and with full consciousness, distinguishes between labour, as it appears in the value of a product, and the same labour, as it appears in the use-value of that product. Of course the distinction is practically made, since this school treats labour, at one time under its quantitative aspect, at another under its qualitative aspect. But it has not the least idea, that when the difference between various kinds of labour is treated as purely quantitative, their qualitative unity or equality, and therefore their reduction to abstract human labour, is implied." [1]

However, the approach to the category of "labour in general" was not made all at once either. William Petty, the English economist of the latter half of the 17th century, was the first to consider the specific features of labour producing the values of commodities, but his stand was a twofold one. On the one hand, under the influence of mercantilism, he assumed that only labour in the extraction of gold and silver, that is, the given specific type of concrete labour, was the source of the value of commodities. On the other hand, he expressed the view that the values of commodities were measured by equal labour, and that here the difference between the types of labour was immaterial. Petty made that important step towards the category of labour in general in the context of his view of labour in its social aggregation, as something whole from the standpoint of the division of labour, but his assumption that commodity production was everlasting prevented him from discovering the difference between labour in general and abstract labour. Marx says: "His case is a striking proof that recognition of labour as the source of material wealth by no means precludes misapprehension of the specific social

[1] Ibid., p. 84.

form in which labour constitutes the source of exchange-value." [1]

The next stage in the development of the category of labour in general is connected with the physiocratic doctrine, a trend of the French bourgeois classical school of political economy in the latter half of the 18th century. While the physiocrats identified the value of a commodity with its use-value and so confused the result of abstract labour with the product of concrete labour, they made several important steps in regarding labour as the source of value. First, in their attacks on mercantilism, they did much to put gold and silver in their proper place, together with the labour involved in their extraction, a species of concrete labour which was now no longer regarded as the source of value. Second, the physiocrats rejected the mercantilist idea that wealth originated in the sphere of circulation, and switched the centre of analysis to the sphere of production, of which, for a number of historical and social reasons, they took a very narrow view, believing that agricultural production alone merited such a designation. This ultimately led them to the erroneous approach which was methodologically akin to Petty's. Like Petty, the physiocrats believed that the source of wealth (including its value form) lay in the specific form of concrete labour, namely, that involved in agricultural production, instead of that involved in the extraction of precious metals.

This question was considered in much greater depth by Adam Smith, who held that the value of commodities lay in labour in any branch of material production, and that, Marx said, "was an immense advance". [2] Smith saw labour as a social whole, a definite system of division by industries, and came fairly close to the category of labour in general, although he abstracted it less from concrete labour than from its sectoral specifics. Still, the latter was not entirely eliminated in his highly contradictory system of economic views. Being under the influence of the physiocrats, Smith believed that the more closely labour was connected with the elemental forces of Nature, the more productive it was, and that is why he assumed that, while labour in any branch of material production was the source of value, labour in agriculture was more productive, in mining

[1] Karl Marx, *A Contribution to the Critique of Political Economy*, p. 54.

[2] Ibid., p. 209.

somewhat less productive, and in manufacturing even less productive.

The riddle of the duality of Smith's entire theoretical system—let us recall that he has at least two different interpretations of every theoretical category—lies in the fact that, while failing to draw a distinction between concrete and abstract labour, his intuition still led him to examine economic phenomena of the capitalist commodity economy either in the light of concrete labour or abstract labour, which naturally yielded different results that he tended to identify (since he did not draw a conscious distinction between these two aspects of labour). Marx gives numerous examples of this kind of misapprehension on Smith's part, who tends to confuse the value of the annual social product and the value newly-created over the year and consequently subtracts from the value of the product the value of the constant capital used up in its production because "he does not distinguish the two-fold nature of labour itself." [1]

The clearest characteristic of labour as the source of value before Marx was given by David Ricardo, who considered it in a form that was entirely free from the sectoral specifics and who, moreover, frequently found distinctions between the processes of concrete and abstract labour. He was less inclined than Smith to identify the value and use-value of commodities, which the latter believed to be no more than "two different meanings" of the word "value". [2] Ricardo reached the correct conclusion that a commodity deprived of use-value also lost its value, which did not mean, however, that the value of a commodity was measured by its use-value: "Utility ... is not the measure of exchangeable value, although it is absolutely essential to it." [3] Ricardo criticised Jean Baptiste Say, who claimed that "natural agents", like sun, air, etc., were sources of the value of commodities on a par with human labour, adding that "these natural agents, though they add greatly to *value in use*, never add exchangeable value". [4] There

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[1] Karl Marx, *Capital*, Vol. II, Progress Publishers, Moscow, 1978, p. 381; see also p. 388.

[2] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, William Benton, Chicago, 1952, p. 12.

[3] David Ricardo, *Principles of Political Economy, and Taxation*, George Bell and Sons, London, 1908, p. 5.

[4] Ibid., p. 270.

we find Ricardo in effect describing the distinction between the factors creating use-value and the factor creating new value. Ricardo says: "M. Say constantly overlooks the essential difference that there is between value in use, and value in exchange",[1] and that amounts to a highly profound reproach on the part of Ricardo, the most prominent spokesman for the scientific bourgeois political economy, which is addressed to Say, the founder of vulgar economy, because it is precisely the confusion between the processes and phenomena of concrete labour and those of abstract labour that is the hallmark of vulgar economic theory.

However, nowhere do we find Ricardo drawing a conscious distinction between labour as a source of value, and labour as a source of use-value, for he "continuously confuses the labour which is represented in use-value and that which is represented in exchange-value".[2] What is more, Ricardo failed to draw a distinction between labour in general and abstract labour, because he saw the capitalist commodity production as an everlasting and natural form of social labour.

In the pre-Marxist period, it was Hegel who came closest to distinguishing the categories of labour in general and concrete labour. In his *Philosophy of Law*, he considers the temporary take-over by another of man's particular bodily and mental aptitudes and capabilities, and adds: "But by the alienation of all my labour-time and the whole of my work, I should be converting the substance itself, in other words, my general activity and reality, my person, into the property of another."[3] But even there, the dual nature of labour does not appear as a historical phenomenon engendered by the commodity form of production, but as an expression of labour's natural properties. For Hegel, the categories of labour in general ("general activity") and concrete labour are logical rather than economic categories, which means that he failed to take the crucial step in demarcating abstract and concrete labour and clarifying their socio-economic substance, a problem which was brilliantly solved by Marx, who formulated his doctrine of the dual nature of labour as a key department of a coherent politico-economic system.

The very essence of Marx's view of the dual nature of

[1] David Ricardo, op. cit., p. 271.
[2] Karl Marx, *Theories of Surplus-Value*, Part III, p. 139.
[3] Quoted in: Karl Marx, *Capital*, Vol. I, p. 165 (footnote 2).

labour as the "point of departure" for a scientific analysis of capitalism stems from the definitive role which he assigns to production within the whole system of economic phenomena and processes of the capitalist economy.

Marx's dual-nature-of-labour doctrine is the starting point for an understanding of all the facts of the capitalist economy not only because it is a component part of the labour theory of value, which is the basis for a scientific analysis of capitalism, a theory that has a number of other constituent elements, none of which, however, has such an outstanding methodological role as the doctrine of the dual nature of labour. The fact is that this doctrine gives the clue to the discovery of the intrinsic nature of the "economic cell" of bourgeois economics, i.e., the nature of commodity. It helps to explain the two-fold character of commodities, to lay bare the contradictions between the use-value of commodities in their historical development, to show the structure of the value of commodities, the movement of use-value and value with the changing productive power and intensity of labour, the secret of the fetishism of commodities, the domination of value over use-value, and so on. In this way, the doctrine of the dual nature of labour yields a scientific examination of the anatomy of commodities and the laws of their development, i.e., it determines the scientific approach to bringing out the uniformities of the capitalist mode of production.

Marx held the dual-nature-of-labour doctrine to be the point of departure on which the "comprehension of political economy" is pivoted precisely because within the system of capitalist relations of production, commodity relations are their historically initial and simultaneously universal elementary form. The scientific analysis of the capitalist mode of production implies, for that reason, a disclosure of the duality of all the economic processes of the capitalist economy, which of necessity have a commodity character.

It was this specific feature of the dual-nature-of-labour doctrine which enabled Marx to solve—for the first time in the history of political economy—the most difficult problem formulated, but far from solved, by Ricardo, who was the first to base the analysis of the capitalist economy on the labour theory of value, the problem of reducing the whole diversity of the deceptive outward semblance of phenomena in the economic life of capitalism to their inner

substance—the definition of value by labour—and to the system of the objective economic laws of capitalism.

Let us now examine the role of the dual-nature-of-labour doctrine in bringing out the substance and structure of the most important phenomena and processes of the capitalist economy.

4. The Development of Internal Contradictions of the Dual Nature of Labour under Capitalism

The growth and development of economic contradictions are always an essential characteristic of the relations of production, and this determines, on the one hand, the need for a profound and comprehensive understanding of such contradictions, and on the other, the importance of elaborating the methodology for doing so.

That is the context in which an attempt is being made here to examine the somewhat neglected question of the methodological role of Marx's doctrine of the two-fold character of labour in analysing economic contradictions, an approach that we feel is fully justified, because the duality of the economic processes and phenomena stemming from the two-fold character of labour is the most important structural uniformity of commodity relations. It is a uniformity that is inherent in these processes and phenomena. But that is only one aspect of the matter. The other aspect is equally essential, and it is that economic phenomena and processes do not merely have a two-fold character, but are intrinsically contradictory. In other words, there is not a single phenomenon or process in the economic life of the capitalist mode of production that does not contain internal contradictions. Indeed, such contradictions are not something casual, extrinsic or resulting from any departure from its true substance, but are an organic element of the relations of production, because no socio-economic system generally can exist or develop without contradictions.[1] That is why the identification and scientific presentation of the content and specific features of such contradictions constitute a necessary element of the theoretical cognition of the capitalist mode of production, if its description is not to be incomplete, superficial and metaphysical.

[1] See V. I. Lenin, "The Development of Capitalism in Russia", *Collected Works*, Vol. 3, Progress Publishers, Moscow, 1977, p. 58.

It should be borne in mind that these contradictions are in no sense immutable, but are in constant movement, development and struggle, which means that beneath the outward semblance of the identity, "stability" and "tranquillity" of opposites there always lurk differences, contradictions, and conflicts ultimately leading to a destruction (surmounting) of the old forms and processes and the emergence of new ones. Their movement will also be found to be an advance from elementary and embryonic contradictions to more developed and complicated contradictions. Failure to reckon with these uniformities dooms research to failure, while reliance on them provides a sound methodological basis for a truly scientific explanation of the substance, sources, forms of movement and uniformities of development of a given mode of production, including capitalist production.

In this context, there naturally arise two questions. First, if Marx's dual-nature-of-labour doctrine is the point of departure in analysing capitalism, because it is a reflection of its elementary and simultaneously general and original relation of production, is it right to regard the contradictions between concrete and abstract labour as the origin of the contradictions of the capitalist commodity economy? Second, is there an interconnection between the original contradiction and the more developed ones? If that is so, what is the dialectic of that interconnection? In short, what is the methodological role of the dual-nature-of-labour doctrine in the scientific clarification of economic contradictions?

a) The Methodological Role of the Dual-Nature-of-Labour Doctrine in the Disclosure of Economic Contradictions

Marx examines every production relation and every law of capitalism as an intrinsically contradictory phenomenon, and that is what makes his analysis of capitalist commodity production so different from that of bourgeois economists: "This latter quality is indeed completely and unconditionally inherent in *Marxism,* for this theory directly sets itself the task of *disclosing* all the forms of antagonism . . . tracing their evolution." [1]

[1] V. I. Lenin, "What the 'Friends of the People' Are and How They Fight the Social-Democrats", *Collected Works*, Vol. 1, Moscow, 1977, p. 327.

Marx's consistent application of this principle with respect to social labour enabled him, first, to bring out the dual nature of labour, second, to establish its intrinsically contradictory character, and third, to trace the unfolding of the contradictions between the two aspects of labour into the contradictions of the capitalist mode of production. Of especial importance here was above all the fact that the contradiction between the two aspects of labour, i.e., between concrete and abstract labour, is by nature elementary, while being the initial one in the hierarchy of capitalist commodity contradictions. And that is quite natural, for that contradiction is the substantive aspect of the characterisation of the "elementary", primitive and simultaneously initial unit (cell) of the capitalist mode of production. That is why the contradiction between the two aspects of labour must necessarily have these properties also with respect to the economic contradictions of capitalism, a fact Lenin emphasised when he wrote: "In this very simple phenomenon (in this 'cell' of bourgeois society) analysis reveals *all* the contradictions (or the germs of *all* the contradictions) of modern society. The subsequent exposition shows us the development (*both* growth *and* movement) of these contradictions and of this society in the Σ of its individual parts, from its beginning to its end." [1]

Here we find Lenin stressing the key role of the contradictions in commodities, i.e., the contradictions between the two aspects of labour embodied in commodities, in disclosing the contradictions of capitalism. This suggests the following methodological conclusions.

First. Although the contradiction between abstract and concrete labour historically and logically precedes the complicated and intrinsically contradictory system of capitalism's relations of production, it simultaneously has an indissoluble dialectical connection and is a unity with that integral whole, a unity which is expressed in the fact that the contradiction between the two aspects of labour as the initial, "embryonic" contradiction, is reproduced on a new qualitative basis in the diverse contradictions of capitalism.

Second. It would be wrong to present this interconnection in such a way as to suggest that the contradiction between concrete and abstract labour is reproduced in a lite-

[1] V. I. Lenin, "On the Question of Dialectics", *Collected Works*, Vol. 38, pp. 358-59.

rally immutable form in the more elaborate contradictions of capitalism.

Such an approach is ruled out by the dialectical view of this matter, but it also rules out the other extreme, which is a denial that the initial contradiction will also be found in the more developed contradictions of capitalist production. The scientific solution of the problem implies that certain features of the initial contradiction remain, are "retained" within the developed contradictions, and a comparison of the contradictions between concrete and abstract labour and the contradictions of capitalist production shows that they have a number of things in common. For one thing, since capitalist production is the highest form of commodity production and cannot exist or develop outside of it, it also has the contradictions which are inherent in commodity production, although their manifestation, ways of resolution and consequences are different from those under simple commodity production, which is not to say that among the numerous contradictions of capitalism one will not find a number of contradictions determined by the commodity form of the product as such. Among them, in the first place, is the contradiction between concrete and abstract labour embodied in a capitalistically produced commodity, although it does appear directly as a contradiction between use-value and value.

Third. The clue to an understanding of the changes in contradictions will be found in their "development" and "self-movement".[1]

Thus, with the development of commodity production in general and of its capitalist form in particular, definite changes occur both in the concrete and the abstract labour embodied in commodities, but that does not eliminate the contradictions between them. What is more, these contradictions are further exacerbated. Such an approach makes it possible to discern not just a mechanical reproduction of the initial contradiction, i.e., of the initial form in the more developed system of capitalist commodity relations (and consequently, also in the economic categories reflecting these); it also helps to understand the dialectics of this reproduction on a new qualitative basis, thereby gaining a deeper insight into the substance of the production relations and their contradictions. At the same time, this helps

[1] V. I. Lenin, *Collected Works*, Vol. 32, Moscow, 1973, p. 94.

to concretise the idea expressed by Marx and Lenin that all the contradictions of capitalism are embryonic in the commodity. What is equally important is that such an approach to contradictions implies the need to meet another requirement of scientific analysis, which is that "the categories have to be *derived* (and not taken arbitrarily or mechanically) (not by 'exposition', not by 'assurances', but with *p r o o f s*) proceeding from the simplest". [1]

The record shows that when this methodological requirement is ignored, the way to a scientific comprehension and explanation of actual economic processes is barred. Thus, Ricardo, a classic of bourgeois political economy, failed to comprehend that simple commodity production was the historical prerequisite for the origination of capitalism, and for that reason contrasted the more developed relations of capitalist production and the law of value, and leaped over the intermediate historical links lying between the relations and the corresponding contradictions of simple commodity production, and the capitalist production relations and contradictions stemming from that basis.

In this context, Marx says that in Chapter One of Ricardo's main work, *On the Principles of Political Economy, and Taxation,* "not only are *commodities* assumed to exist —and when considering value as such, nothing further is required—but also wages, capital, profit, the general rate of profit and even ... the various forms of capital as they arise from the process of circulation". [2] Because of such an approach, Ricardo failed to see that "the development of commodities necessarily leads to the formation of money", [3] to understand that the substance of the price of production was a modification of the value of the commodity, etc.

We find, therefore, that the dual-nature-of-labour doctrine as a whole, and that part of it which reflects labour's inner contradictions help to bring out not only the intrinsic unity of the system of capitalist relations of production, but also its contradictory character, i.e., that the doctrine ultimately contains the methodological basis for a scientific comprehension and explanation of the hierarchy of the contradictions of capitalism.

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[1] V. I. Lenin, "Conspectus of Hegel's Book *The Science of Logic*", *Collected Works*, Vol. 38, p. 94.

[2] Karl Marx, *Theories of Surplus-Value*, Part II, Progress Publishers, Moscow, 1975, p. 168.

[3] Ibid., p. 164.

b) The Unfolding of the Contradictions between Concrete and Abstract Labour

The idea of the movement and unfolding of contradictions from the simplest to the more complex ones is a key methodological advance of the Marxist-Leninist political economy connected with the doctrine of the two-fold character of labour, and the uniformities of the process were brilliantly presented by Marx in his *Capital.*

The contradiction between individual and social labour is the basic contradiction of simple commodity production. On the one hand, the labour of the commodity-producers divided by private property into separate economic units assumes the form of individual, private labour, and on the other, in virtue of the social division of labour (and, consequently, of the interconnection and interdependence of its component parts) the same labour appears as an element of the aggregate social labour, i.e., as social labour. This duality, it will be recalled, springs from the fact that labour is not merely a definite material and technical process, but is also an element of the relations of production, because the idea of production outside the society "is just as preposterous as the development of speech without individuals who live *together* and talk to one another".[1]

The contradictory character of the commodity-producers' labour is directly manifested in the contradictory unity of its form and content: in form it is individual, private labour, and in content—social labour. The labour of every individual commodity-producer is a definite purposeful activity intended to produce a definite type of use-value. All individual commodity-producers are outwardly autonomous and independent of each other, but in virtue of the social character of labour, each commodity-producer must, in actual fact, produce a strictly definite product, one which the society is truly in need of. In this way, the labour of each individual producer actually functions as a component part of the aggregate social labour.

Consequently, the labour of one commodity-producer is intrinsically connected with and determined by the labour of all the other producers, so that in content his labour is essentially social labour, while directly appearing in the form of individual labour. Although the social character of labour is obscured, it does not cease to be social labour.

[1] Karl Marx, *A Contribution to the Critique of Political Economy*, p. 189.

Indeed, it appears at first sight that the commodity-producer can choose to produce any use-value, whereas in fact he has to produce only that which the society has need of, i.e., a social use-value. The commodity-producer is, in the long run, not free to choose the type of his production activity either, for his individual labour will have significance only if the product of that labour is recognised by the society, as otherwise the commodity-producer will be incapable of carrying on production, because he will not obtain from the society the necessary means of production and articles of consumption (in view of the fact that it has made no demand on his product).

Every individual commodity-producer is nominally entitled to produce the quantity of commodities which he believes to be necessary, but in actual fact the society will recognise only the quantity that is necessary to meet the social requirement at the given moment, so that everything that has been produced over and above that requirement turns out to be superfluous and cannot be sold. So, the individual types of production carried on by individual producers are merely necessary elements of the whole of social production, and their labour merely a component element of the aggregate social labour. However, because of the private form of labour, the producer has no knowledge of the society's true requirements for the use-values he produces, so that it is not known in advance whether his labour will be included within the society's combined labour.

All of that shows that the interrelation of form and content is intrinsically contradictory. The individual form of labour acts against the manifestation of its social character, so that the content seeks to overcome the form and to manifest its true substance, which is that that labour is social labour. Under commodity production, this contradiction between individual and social labour acquires a specific form of movement imposing a two-fold social form on labour: on the one hand, that of concrete labour, and on the other, that of abstract labour.

If labour effected in individual form is to manifest itself as social and is to assume the form of social labour, there must be an abstraction from the concrete, specific species of labour and so their reduction to their common basis, or abstract labour. Accordingly, in the process in which the labour of the individual commodity-producers is manifested as social, there is an "abstraction" from the concrete

forms in which the labour is expended and a crystallisation of that common element which is contained in every species of concrete labour. This idea was expressed by Marx as follows: "On the basis of capitalist production, everyone works for himself and a particular labour must at the same time appear as its opposite, as abstract general labour and in this form as social labour". [1]

In the social process of production there is a constant reduction of concrete labour to abstract labour, the only peculiar way in which the social character of the individual commodity-producers' labour is manifested as social, while its contradiction assumes a specific form of movement. Remarking on this peculiarity, Marx says: "Labour is reduced to simple labour, labour, so to speak, without any qualitative attributes; labour which creates exchange-value, and therefore commodities, is specifically *social labour*." [2] This specific character of labour is clearly expressed in a comparison of its character under different modes of production. Thus, under the primitive-communal system, "individual labour" appears "rather as the direct function of a member of the social organisation." [3] Under feudalism, it is "the distinct labour of the individual in its original form, the particular features of his labour and not its universal aspect that formed the social ties at that time." [4] Under socialism, labour implying a directly social character of conjunction with the means of production is incorporated within the social-division-of-labour system directly and in advance, because there the whole product of labour is a directly social product.

It is only under the capitalist mode of production, when commodity production becomes the general form of interconnection, that the labour of individual producers becomes social because it assumes the form of abstract labour, i.e., the form of a general abstraction. Those "are *social categories* of labour or categoris of *social labour,* social however not in the general sense but in the particular sense". [5]

Consequently, abstract labour is a historically specific form of social labour, and under commodity production

[1] Karl Marx, *Theories of Surplus-Value*, Part II, p. 529.
[2] Karl Marx, *A Contribution to the Critique of Political Economy*, p. 30.
[3] Ibid., p. 34.
[4] Ibid., p. 33.
[5] Ibid., p. 31.

there is no other way in which concrete labour can manifest its social character except by assuming the form of abstract labour (value). It follows that the basic contradiction of simple commodity production, the contradiction between individual and social labour, unfolds in the course of its movement into a contradiction between concrete and abstract labour, and this invests the product of labour with two opposite properties: use-value and value. The foregoing warrants the conclusion that both the unity of the two elements of the mode of production—the productive forces and the relations of production—and the contradictions between them are ultimately expressed in the most general and abstract form in the two-fold character of labour. Indeed, under commodity production, the product of labour entering exchange is simultaneously the repository of specific relations of production.

In this context Marx says: "The product being exchanged is a commodity. But it is a commodity merely by virtue of the *thing*, the product being linked with a *relation* between two persons or communities, the relation between producer and consumer, who at this stage are no longer united in the same person." [1] At the same time, the commodity-producers' labour appears as definite purposeful activity, so that under commodity production labour appears, on the one hand, being abstract labour creating value, as the repository of the social relations of production, and on the other, being concrete labour creating use-values, as a definite element of the productive forces.

The antithesis of the commodity's use-value and value, which permeates the whole of the capitalist economy, is, for that reason, one of the crucial forms in which the contradiction between the productive forces and the relations of production of that mode of production is manifested.

It follows from what has been said that the contradiction between the two aspects of labour creating commodities is expressed in the following. First, concrete labour must be expended as abstract labour, because that is the only way in which its social character is expressed. At the same time, abstract labour must be expended only in a definite concrete form. Second, concrete labour consists of qualitatively diverse species of labour, while abstract labour is qualitatively homogeneous. But at the same time, concrete

[1] Karl Marx, *A Contribution to the Critique of Political Economy*, p. 226.

labour must be reduced to its opposite, i.e., to abstract labour. Third, the result of concrete labour is a strictly definite use-value, and the result of abstract labour is value (reified abstract labour), which can, in principle, be expressed in any use-value. So, the contradiction of the two aspects of labour appears on the surface as opposite properties of the commodity. That is the only way—by splitting the product into a useful thing and a value—that the contradiction of the two aspects of labour is actually manifested.

Here "the labour of the individual producer acquires socially a two-fold character. On the one hand, it must, as a definite useful kind of labour, satisfy a definite social want, and thus hold its place as part and parcel of the collective labour of all, as a branch of a social division of labour that has sprung up spontaneously. On the other hand, it can satisfy the manifold wants of the individual producer himself, only in so far as the mutual exchangeability of all kinds of useful private labour is an established social fact, and therefore the private useful labour of each producer ranks on an equality with that of all others." [1] The equality of the various kinds of labour, Marx emphasised, may consist only in the abstraction of their actual inequality and their reduction to that common character which they possess as an expenditure of human labour-power, as abstract human labour.

Each commodity and all the commodities together have to find the form in which this contradiction moves and is resolved. The sale of the commodity signifies that the product of labour drops out of the economic connection. Every commodity and, accordingly, every commodity-owner is always faced with the problem of incorporating the labour embodied in the commodity within the whole social labour, a problem that has a qualitative aspect. The quantitative aspect is that the society does not recognise expenditures of labour generally, but only those which are socially necessary, so that losses are incurred by commodity-producers whose expenditures of labour are higher than those socially necessary: they are ruined or are forced to make changes in their production so as to make their concrete labour more efficient and reduce the individual expenditures of labour to the level of those socially necessary. That is the

[1] Karl Marx, *Capital*, Vol. I, p. 78.

contradictory, indeed, antagonistic form in which the development of the productive forces proceeds.

However, there is another, qualitative, aspect to this process in which concrete labour is reduced to the general form of abstract labour. It is a fact that the mix of concrete kinds of labour making up the whole aggregation of social labour tends continuously to change, so that one kind of concrete labour, once a component part of social labour, turns out to be no longer required by the society, and the development of the productive forces and the changing social wants could result in sizable masses of concrete labour no longer being realised as social labour: "To-day the product satisfies a social want. To-morrow the article may, either altogether or partially, be superseded by some other appropriate product." [1]

Owing to the bifurcation of the commodity-producers' labour into labour producing use-value and labour producing value, production itself becomes a two-fold process, with the contradiction between the two aspects of labour now being directly manifested in the contradiction between the two aspects of the process of production: on the one hand, it is the production of use-values, and on the other, the creation of value. These two aspects of capitalist production are an indissoluble dialectical unity, because it is impossible to produce value without producing some use-value; conversely, in those conditions the production of use-values is meaningful only when it results in the production of value and surplus-value. That is the contradiction in which capitalist commodity production ceaselessly moves to produce contradictory phenomena which are inconceivable and inexplicable under a non-commodity form of production.

It follows from what has been said that: 1) the resolution of the contradiction between the individual, private form of labour and its social content implies a reduction of concrete labour to abstract labour, the basis on which the product of labour is split into a useful thing, or—in the provision of services—a useful effect of labour itself (concrete labour) and value (reified abstract labour); 2) this reduction occurs objectively, under the pressure of inexorable necessity, because in the commodity economy there is no other way of expressing the social character of la-

[1] Karl Marx, *Capital*, Vol. I, p. 108.

bour; 3) for all these reasons, production acquires a two-fold contradictory character, being simultaneously the production of use-values and the creation of value; and 4) in this process, value has the pre-eminent and definitive role with respect to use-value, because "as value, the commodity is at the same time an equivalent for all other commodities in a particular ratio".[1] In the hands of the individual commodity-producer, value, a social force, becomes the individual's private force.

The development of the productive forces with the entrenchment of capitalism signified definite changes in concrete labour which were expressed above all in the further marked division of labour into new species and subspecies, a process which had a tendency "to transform into a special branch of industry the making not only of each separate product, but even of each separate part of a product—and not only the making of a product, but even the separate operations of preparing the product for consumption".[2]

That means the strengthening of mutual ties and interdependence of the producers, whose labour increasingly acquires a social character. But that is only one aspect of the matter. The other is that capital implies a simultaneous employment of a large number of workers each of whom now operates as a merely individual organ of the aggregate worker. "Capitalist production only then really begins ... when each individual capital employs simultaneously a comparatively large number of labourers; when consequently the labour-process is carried on an extensive scale and yields, relatively, large quantities of products. A greater number of labourers working together, at the same time, in one place (or, if you will, in the same field of labour), in order to produce the same sort of commodity under the mastership of one capitalist, constitutes, both historically and logically, the starting-point of capitalist production."[3]

In contrast to petty handicraft and individual peasant production, capitalism has transformed production from an essentially individual into a social process. However, one should bear in mind that capital assembles not just labour,

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[1] Karl Marx, *Grundrisse der Kritik der politischen Ökonomie (Rohentwurf), 1857-1858*, Verlag für fremdsprachige Literatur, Moskau, 1939, S. 59-60.

[2] V. I. Lenin, "The Development of Capitalism in Russia", *Collected Works*, Vol. 3, p. 37.

[3] Karl Marx, *Capital*, Vol. I, p. 305.

but wage-labour, which is why the origination of capital signifies the combination and socialisation of wage-labour, and capital's domination of wage-labour. As capital develops the productive forces inherited from handicraft production, it transforms them into the means of production only set in motion jointly by a mass of workpeople. "In like manner, production itself changed from a series of individual into a series of social acts, and the products from individual to social products." [1] In these conditions, the labour embodied in definite use-values no longer appears as the individual value of this or that commodity-producer, but as the labour of the aggregate worker. An examination of the character of the individual worker's concrete labour at the three different stages of capitalist production (cooperation, manufacture and machine-production) will show its gradual step-by-step transformation into an individual operation of the aggregate worker, and the worker's conversion into the detail worker, and then into an appendage of the machine. That being so, concrete labour can be effected only as a necessary element of aggregate labour, outside whose framework it is deprived of the possibility of being realised as concrete labour.

A new productive form of labour tends to develop simultaneously with the growing fragmentation of labour, the rising level of its mechanisation, and so on. These changes in the process of concrete labour are of themselves indifferent with respect to the production of value as such, but the simultaneous use of sizable numbers of wage-workers in one and the same process of labour, even without any change in its technical facilities, i.e., the simple cooperation of labour itself already tends to modify the process in which value is created. This uniformity is also manifested in the fact that in simple cooperation, the individual labour of the individual worker acts in the process of production itself as labour with properties approximating average social labour, so that capital from the outset sets in motion "average social labour". [2]

Under manufacture, and especially under machine-production, the expenditure of labour on the level of socially necessary expenditure now operates as a technical law of production itself, because only the expenditure of a strictly

[1] Frederick Engels, *Anti-Dühring*, Progress Publishers, Moscow, 1975, p. 318.

[2] Karl Marx, *Capital*, Vol. I, p. 307.

definite time on each individual operation can ensure the uninterrupted process of labour, so that "the turning out of a given quantum of product in a given time is a technical law of the process of production itself".[1] That, incidentally, produces the need for constant intensification of labour (i.e., more abstract labour in a unit of time), since the acceleration of the aggregate worker's motions inevitably causes a corresponding intensification among the individual workers.

With the transition to capitalism, the contradictions between the two aspects of labour are further exacerbated. Abstract labour, a form of social labour, comes to express a different kind of production relations. Here, it is not the individual labour of the private commodity-producer, but the labour of the aggregate worker, whose results have been appropriated by the capitalist, that needs above all to be given social recognition through the form of abstract labour, and this generally gives a totally new dimension to the dual nature of commodity production: it appears as the unity of the process of the aggregate worker's labour and the process of the creation of value, while also being a process in which surplus-value is created. And while the expansion of value is outwardly nothing but the continuation of the process of producing value beyond a definite point,[2] it makes the two-fold process of production most definite and its contradictions especially acute. "The process of production, considered on the one hand as the unity of the labour-process and the process of creating value, is production of commodities; considered on the other hand as the unity of the labour-process and the process of producing surplus-value, it is the capitalist process of production, or capitalist production of commodities."[3]

Consequently, under capitalism abstract labour (value) is the repository of a qualitatively specific social connection as compared with that under simple commodity production.

The commodities turned out at capitalist enterprises are no longer simply commodities (the form in which value exists), but commodities containing surplus-value. Value relations are now established not just between individual production units, but between capitalist enterprises, and

[1] Ibid., p. 327.
[2] See Karl Marx, *Capital*, Vol. I, p. 189.
[3] Ibid., p. 191.

that causes, first, a further sharpening of the contradictions between the two aspects of production stemming from the duality of labour, second, the emergence of new dimensions in the unfolding of the contradictions, and third, the origination of their special and specific movement.

The products turned out at capitalist enterprises are the products of the labour of many workers. The concrete labour of individual workers and the instruments of labour they wield have essentially become social, but considering that capitalist production is merely a special form of commodity production, the reduction of concrete labour to abstract labour continues to be a necessary process in those conditions as well. That means a new contradiction: while production becomes essentially social, the form in which its social character is recognised assumes a commodity character, which means that the commodity needs to be realised as value, that is, sold. Considering that huge masses of labour are embodied in capitalistically produced commodities, any difficulty in this process tends to cause deep upheavals and crises in social production. But to that contradiction is added a new one which is connected directly with the capitalist form of production, and it is determined by the fact that the entire course of production is modified by relations between different capitals concerning the produced surplus-value. Marx showed very well that their distinctive feature is the in-fighting of capitals claiming to have the mass of the surplus-value they have receive proportional to functioning capital, a factor which tends to breed new contradictions and embarrassments in the realisation of commodities as values. At the same time, there also emerges the form in which this contradiction moves, namely, the realisation of commodities is effected in accordance with their prices of production, instead of their values. The quantitative discrepancy between the value produced and realised by individual capital means that the embryonic contradiction has, on the one hand, been further aggravated, and on the other, acquired a form of movement. We find this contradiction being reproduced on a qualitatively new basis, while being dialectically linked with its original form.

So, the doctrines of the two-fold character of labour makes it possible to disclose both the intrinsic unity and the contradictory nature of the whole system of capitalist relations of production.

Chapter Two

THE CLUE TO THE DUAL NATURE OF COMMODITIES AND MONEY

1. The Commodity: a Contradictory Unity of Use-Value and Value

Marx was the first to explain the dual nature of commodities, i.e., the crucial fact that the commodity is a contradictory unity of use-value and value, a phenomenon pre-Marxist science observed but proved to be incapable of explaining. The two-fold use of every object—for use proper and for exchange—was already noted by Aristotle.[1] These two aspects of the commodity were expressed in the categories of political economy by Adam Smith, who drew a distinction between the use-value and the exchange-value of commodities.[2] But the failure to understand the qualitative distinctions between these two aspects of commodities stemming from the incomprehension of the dual nature of labour impelled pre-Marxist economic thinkers to identify value and use-value, so erecting one of the main epistemological barriers to the advance of economic science, because it impeded their efforts to overcome their notions of commodity fetishism.

Marx shows that the dual nature of commodities stems from the dual nature of labour creating commodities. By expending his labour in a useful-purposeful form (concrete labour), the commodity-producer creates the commodity's use-value. To the extent that labour is expended in a definite useful form, it gives the product of labour the capacity to satisfy some human want. Indeed, the commodity's use-value is precisely the utility of the product of labour which has the capacity to satisfy a real or imaginary want.

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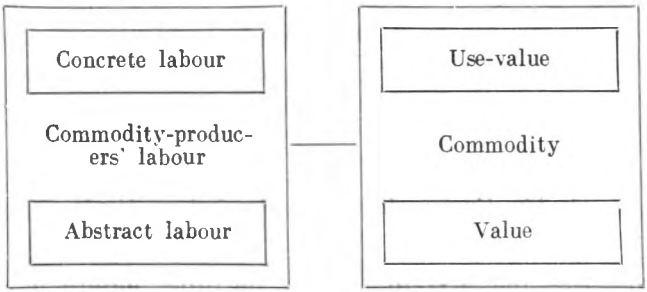
[1] See Karl Marx, *Capital*, Vol. I, p. 89 (footnote).

[2] See Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, pp. 12-13.

Concrete labour, therefore, is the source of the commodity's use-value, while abstract labour is the source of its value, a connection shown in Fig. 2.

Fig. 2



Commodities are a unity of use-value and value, but they are commodities "only because they are something two-fold, both objects of utility,* and, at the same time, depositories of value".[1] Marx emphasised that the dual nature of commodities results from the dual nature of the commodity-producers' labour.

The value and use-value of commodities were now seen as phenomena differing in kind, and as resulting from the different aspects of labour. That put an end to their identification, which we frequently find even among the best minds of the classical school. The clarification of the causes behind the dual nature of commodities was of paramount importance, because the confusion between value and use-value inevitably led to the identification of the qualitatively distinct processes of their production and so also of their sources, an approach that provided the basis for the numerous apologetic conceptions depicting as the sources of value and surplus-value factors which, at best, only participated in the creation of the commodities' use-value (the theories of the "three factors of production", of "the productivity of capital" and the like).

The dual nature of material commodities is rarely questioned, because the use-value and the exchange-value of such commodities are presented in a material, tangible

* Here the term is used in its broad sense which corresponds to "use-value" and so includes commodities going both into personal and production consumption.

[1] Karl Marx, *Capital*, Vol. I, p. 54.

form.[1] It is not only the use-value of such commodities that appears to be an immediately perceptible thing with its definite properties. Let us note that in actual fact the use-value of a material commodity is not at all identical with the thing and its definite properties, because the commodity's use-value is a reflection of the relation of the thing's properties to social wants, a change in which could deprive the commodity of its erstwhile use-value, even if there is no change in the properties of that commodity (say, a commodity which has gone out of fashion). But the exchange-value of a material commodity also acquires something like immediately tangible forms in terms of the quantitative relation between the material commodities being exchanged.

Service as a commodity is another thing: in it, neither use-value, nor value appear in a material form, which is why they are now and again denied. However, service as a commodity also has the two-fold character which is inherent in all commodities and stems from the two-fold character of labour—it has use-value and value—even if their outward manifestations are highly peculiar. "Services ... as such ... have a use-value and because of their production costs also an exchange-value."[2]

The use-value of a service considered in its pure form consists in the useful effect which it provides, like the useful effect of transportation: "What the transportation industry sells is change of location."[3] In order to achieve the required useful effect, labour is expended in a specific appropriate form (concrete labour)—means of production, fuel, locomotives, rails, etc., are used up—but the product of labour, the service, does not acquire the form of a thing, which is why it cannot be directly accumulated and cannot form a part of material national wealth. It can be consumed only at the moment of its production, so that for the service the time of production and the time of consumption coincide. "The useful effect can be consumed only during

[1] One form in which this tendency to identify the two aspects of commodities is manifested is their interpretation as being different expressions of commodities' ostensible "common unity". The common semantics of the categories of "use-value" and "exchange-value" provides the basis for obscuring the qualitative economic distinction between these two aspects of commodities stemming from sources that are different even if organically connected with each other.

[2] Karl Marx, *Theories of Surplus-Value*, Part I, p. 168.

[3] Karl Marx, *Capital*, Vol. II, p. 54.

this process of production. It does not exist as a utility different from this process".[1] Nevertheless, the consumption of services leaves a definite material trace: the passenger finds himself transported, the sick—cured, the illiterate—educated, etc.

Like the value of any other commodity, the value of a service is determined by the expenditure of the labour socially necessary for its production. "The exchange value of this useful effect," Marx wrote about the services provided by the transport industry, "is determined, like that of any other commodity, by the value of the elements of production (labour-power and means of production) consumed in it plus the surplus-value created by the surplus-labour of the labourers employed in transportation."[2]

The value of services is of the same nature and is subject in its movement to the same economic laws as is the value of commodities in the form of things, which is why over the long term the prices of services tend to change essentially in much the same way as the prices of consumer goods. Thus, the consumer price index in the United States went up from 41.6 in 1939 (1967 = 100) to 161.2 in 1975, i.e., an almost 4-fold increase, while the prices of services in that period rose from 43.5 to 166.6, i.e., almost as much, and the same trend was in evidence in the subsequent period: by 1984, the consumer price index in the United States had gone up to 311.1 (1967 = 100), and the service price index to 363.0.[3] Over these 45 years, there was a relatively insignificant discrepancy between the movement of prices for all consumer goods and the prices for services, which indicates that commodities in the form of things and services have the same socio-economic nature.

This question may well arise: in what is the value of a service embodied if such a product of labour does not take the form of a thing? Like the value of any other commodity, the value of a service, as a commodity, is embodied in its use-value, which means the useful effect of the service.

Let us recall at this point Marx's idea that value is a specific social production relation between commodity-producers. From this follow two important consequences. First, "the value of commodities is the very opposite of the coarse

[1] Karl Marx. *Capital*, Vol. II, p. 54.

[2] Ibid.

[3] *Economic Report of the President*, Washington, February 1985, p. 294; *Economic Indicators*, February 1985, p. 23.

materiality of their substance, not an atom of matter enters into its composition." [1] The view of value as being necessarily embodied in a reified use-value implies, for that reason, a confusion between the commodity's value and use-value, which amounts to regarding value in the light of commodity fetishism. Value must, of course, be embodied in some use-value, but the character of the latter is here irrelevant. Second, "if ... we bear in mind that ... value ... has a purely social reality, ... it follows as a matter of course, that value can only manifest itself in the social relation of commodity to commodity." [2]

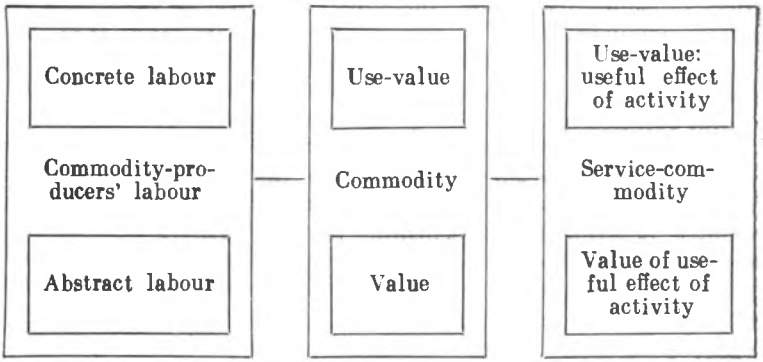
Such a specific manifestation of value helps to decide on whether it is present or absent in the service-commodity. Let us recall that, like other commodities, the service-commodity is exchanged according to the formula $C_1—M—C_2$ (Commodity$_1$—Money—Commodity$_2$): the value embodied in C_1 is exchanged for a similar value represented in the money form M, and then in the form of a commodity use-value C_2 which is distinct from C_1. "Since here, as in every exchange of commodity for commodity, equal value is given for equal value, the same value is therefore present twice over, once on the buyer's side and once on the seller's." [3] If the service-commodity is said to have no value, the very possibility of an exchange of a commodity in the form of a thing for a service-commodity becomes altogether incomprehensible, so that either in such an exchange the law of value is being continuously violated in favour of the sphere of the services, which under such an assumption keeps receiving commodities from other spheres of production without any equivalent, something that is, of course, ruled out, or the service-commodity has a value resulting from the expenditures of abstract labour. The dual nature of the service-commodity is illustrated in Fig. 3.

Marx's discovery of the dual structure of the service-commodity is of important theoretical and practical significance, for it shows, among other things, that the growing share of the sphere of the services under capitalism does not in any way result in its transformation into some kind of "post-industrial society" based on a service economy. Regardless of whether capitalist relations are embodied in a material or non-material form, they do not cease to be re-

[1] Karl Marx, *Capital*, Vol. I, p. 54.
[2] Ibid.
[3] Karl Marx, *Theories of Surplus-Value*, Part I, p. 169.

lations of exploitation of wage-labour by the bourgeoisie, and that is why the development of the service sphere, which causes important shifts in the productive forces of the capitalist society, produces no immediate change in the

Fig. 3



exploitative substance of the capitalist relations of production. It is important to comprehend the dual nature of services also for the purposes of economic planning and for national-economic statistics, since the services must be accounted as specific products of social labour within the commodities circulating on the market, and within the annual social product. "The total quantity of consumable articles is therefore at every moment of time greater than it would be without the consumable services. Secondly, however, the value too is greater; for it is equal to the value of the commodities which are given for these services, and is equal to the value of the services themselves." [1]

The dual nature of labour, which necessarily makes for the duality of commodities, helps to analyse this highly complex phenomenon in greater depth and to show both the *duality of the commodity's use-value* and the *duality of the formation and structure of the commodity's value.*

Marx examined the origination of the money form of value and the transformation of gold into the money-commodity which has the role of a universal equivalent: "The use-value of the money-commodity becomes two-fold. In addition to its special use-value as a commodity (gold, for

[1] Karl Marx, *Theories of Surplus-Value*, Part I, p. 169.

instance, serving to stop teeth, to form the raw material of articles of luxury, &), it acquires a formal use-value, originating in its specific social function." [1]

So we find Marx identifying a special and a formal use-value in the money-commodity, which, in this case, is gold. While the formal use-value of the money-commodity stems from its specific social functions, i.e., from that commodity operating as the universal equivalent and as the materialisation of abstract labour, its special use-value stems from the specific of the concrete labour going to create the special use-value, which, in this case, has produced the gold. This link with the real process of labour helps to consider the use-value produced by concrete labour as a real use-value in contrast to the formal use-value stemming from the specifically social functions performed by the given commodity, including the fact that the given commodity operates as the general form of value, the token of value, the token of money, and so on, i.e., directly from the social form in which labour acts as the source of value, namely, from abstract labour.

In embryonic form, this distinction between real and formal use-value also applies to ordinary commodities. There is hardly any need to demonstrate that commodities have a real use-value. However, they also have a formal use-value, though in a far less developed form than money. Let us bear in mind that for sellers the use-value of commodities lies in their being the embodiment of value, i.e., formal use-value. What is more, commodities have no real use-value for sellers, since they do not use these commodities to satisfy their real wants. It is for buyers that commodities have real use-value.

The distinction between real and formal use-value in ordinary commodities is clearly manifested when a commodity is purchased for its value properties, and not as a real use-value, that is, when the value of the commodity is the specific utility which satisfies the buyer's want. Thus, this occurs in the purchase of a commodity for the purpose of hoarding the value contained in that commodity (luxuries, coins and other articles made of precious metals, rare works of art, such as pictures, books, sculptures, etc.)and also in the purchase of a commodity for the purpose of its re-sale, and so on.

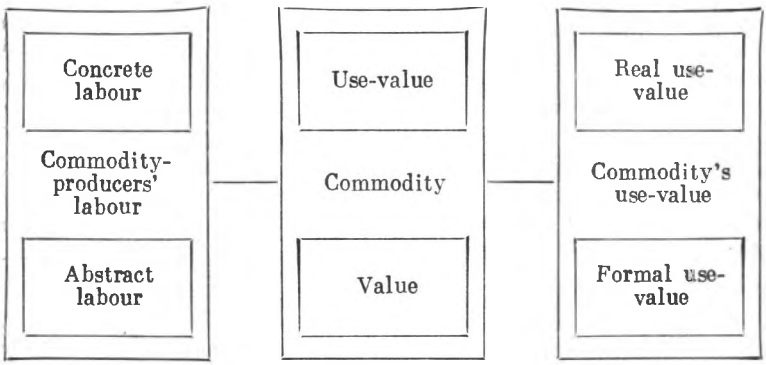
[1] Karl Marx, *Capital*, Vol. I, p. 93.

There is a large group of commodities in the capitalist economy with solely formal use-value, i.e., a utility stemming from the social functions performed by these commodities, instead of the use-properties invested in the commodity by the useful form of the labour expended on its production. Such are paper money, stocks and shares, bonds, cheques, certificates and other securities, and these are commodities clearly showing that formal use-value is closely bound up with the value of the commodity (the token of value, the token of money, etc.), that is, with the functioning above all of abstract instead of concrete labour, whether these are commodities making it possible to hoard value, or commodities making it possible to appropriate value and surplus-value (including all kinds of securities). That is why Marx characterised this use-value as formal use-value, i.e., one which springs directly from the social form of labour under capitalism and from the system of the capitalist relations of production, which under the given, capitalist mode of production provide the productive forces with their social form.

In contrast to formal use-value, real use-value does not stem from the specific social functions of the given commodity, or from the social form of the labour producing the commodity, or even from the capitalist relations of production, although it is closely linked with them, but from the role which the given commodity has to play in the actual process of personal or productive consumption in virtue of the use-properties imparted to it by concrete labour.

So, while the real use-value of a commodity is directly connected with the commodity-producer's concrete labour,

Fig. 4



its formal use-value is connected with his abstract labour.

The commodity's use-value is a relation between the properties of the given commodity and human wants, which is why any changes in either side of this relation, to say nothing of simultaneous changes in both sides, will cause changes in the commodity's use-value. But the commodity is a two-fold phenomenon possessing two-fold properties, and the question here comes down to whether the consumer will satisfy his wants by means of the given commodity as a product of concrete labour (real use-value), or as a product of abstract labour (formal use-value), or even as a product simultaneously of both aspects of the commodity-producer's two-fold labour, which are the source of qualitatively distinct use-values (as when a commodity is purchased in a fashionable shop where a commodity of similar real use-value is sold at a much higher price than it is in ordinary shops, and the higher price is the specific formal use-value going to satisfy the need for an ostentatious display of membership of the ruling class). Thus, in the case of formal use-value, the value of the commodity (token of value, token of money, etc.) does not lose its properties of value (token of value, etc.), but on the contrary, appears in the role of its opposite—use-value—precisely because of these properties.

A closer look shows not only the commodity's use-value but also its value to be a two-fold phenomenon. Although the commodity-producer's abstract labour expended on the production of that commodity is alone the source of its value, the commodity-producer's concrete labour takes some part in the formation (but not in the creation) of the commodity's value in the sense that it is concrete labour that transfers the old value from the means of production to the new commodity as they are used in the production of that commodity and so subjected to wear and tear.[1]

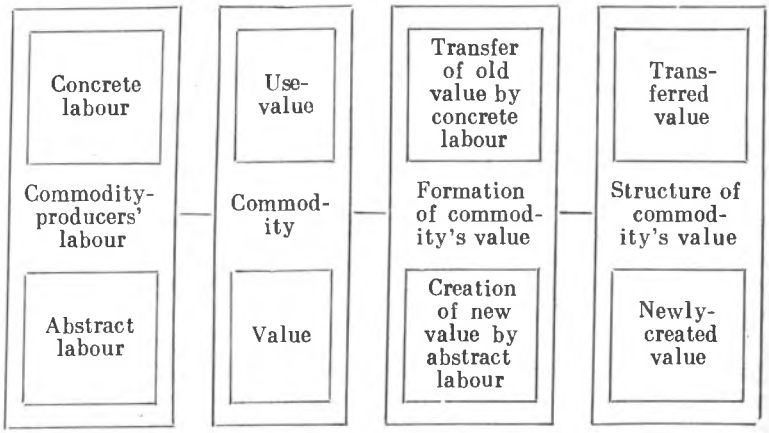
In the light of his doctrine of the dual nature of labour, Marx disclosed—for the first time in the history of political economy—*the duality of the process in which the value of the commodity is formed.* He discovered that the value of the means of production used in making a commodity is retained in the new commodity, being transferred to it because of the useful character of the labour expended, while the abstract labour of that same commodity-producer simultaneously adds a new value to that commodity.

[1] See Karl Marx, *Capital*, Vol. I, p. 194.

The failure to understand that problem was one of the crucial sources of what is known as the Smith dogma, which did much harm to the advance of political economy in general, and to the theory of capitalist reproduction in particular. The two-fold process of the formation of commodity-value is a direct outcome of the two-fold character of the commodity-producer's labour, a view which helped to clarify the true role of the means of production in the formation of commodity-value, to prove that the means of production, which bourgeois economists identify with capital, do not create any new value, and so to demonstrate that the vulgar-apologetic conception of "the productivity of capital" is untenable.

Marx's analysis led him to the conclusion that the *result of the formation of value is likewise a two-fold one.* Since the formation of value has a two-fold character in virtue of the dual nature of the commodity-producer's labour, its result—the structure of commodity-value—is of necessity a two-fold one as well: "Since ... the addition of new value to the subject of his labour, and the preservation of its former value, are two entirely distinct results, produced simultaneously by the labourer, during one operation, it is plain that this two-fold nature of the result can be explained only by the two-fold nature of his labour; at one and the same time, it must in one character create value, and in another character preserve or transfer value." [1] The structure

Fig. 5



[1] Karl Marx, *Capital*, Vol. I, p. 193.

of commodity-value is a two-fold one, because it contains, alongside the old, transferred value, a new value which has been created in the process of production. It is no exaggeration to say that it would have been impossible to work out a truly scientific political economy without the discovery of the two-fold structure of commodity-value (see Fig. 5).

Marx's dual-nature-of-labour doctrine enabled him to formulate and solve, for the first time, the *problem of the duality of the basic tendencies in the changing structure of commodity-value*. He discovered that as the productive power of labour rose—and it is the basic trend in the changing social productivity of labour—the magnitude of the new value added to the commodity unit by abstract labour had a tendency to diminish, because the time in which this labour functioned, and so also the volume of the newly-created value, remained the same, while the quantity of the use-values turned out in the given time increased. At the same time, the magnitude of the value transferred to a product unit, other things being equal, either remained unchanged (for instance, the value of materials, energy, depreciation, etc.), or diminished more slowly than the reduction in the expenditures of living labour per product unit.

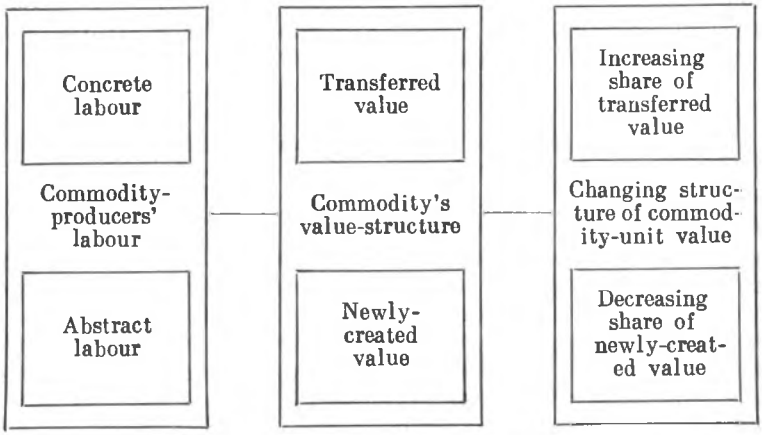
The result was a tendency for the share of the newly-created value to decrease and for the share of the transferred value to increase within the value of the commodity unit, which tended to diminish as a result of the growing productive power of labour. The two-fold tendencies in the changing value-structure of the commodity is a manifestation of the opposite movement of the commodity's value and use-value due to the growing productive power of labour, a movement generated by the dual nature of labour. The growing intensity of labour makes no difference either to the value-structure of the commodity, or to the magnitude of its value.

This two-fold nature of the commodity is reflected in the *duality of the wealth of the capitalist society,* which is "an immense accumulation of commodities", its unit being "a single commodity". [1]

On the one hand, capitalist wealth consists of a sum-total of use-values, of "material wealth", [2] and on the other,

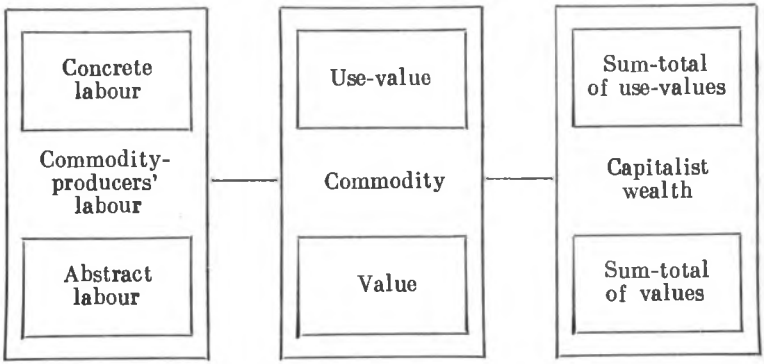
[1] Karl Marx, *Capital*, Vol. I, p. 43.
[2] Ibid., p. 53.

Fig. 6



of a sum-total of commodity-values, as will be seen from the following diagram.

Fig. 7



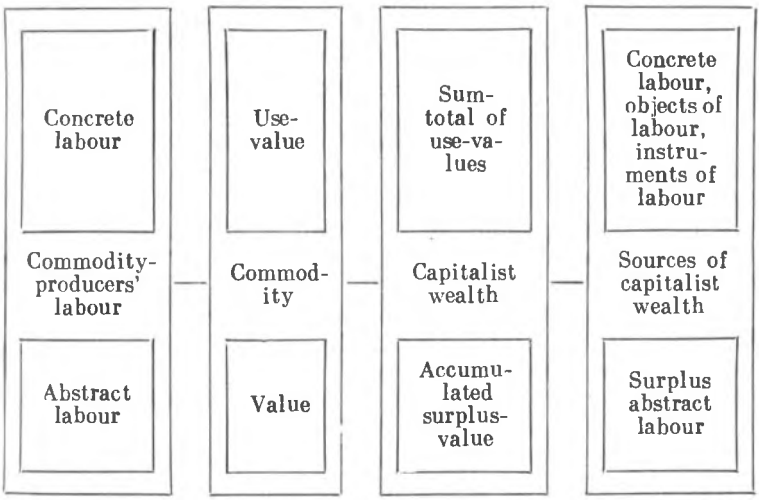
The demarcation of these aspects of capitalist wealth is important for many reasons, notably because it throws strong light on the sources of that wealth.

Indeed, what is the source of the capitalist society's wealth? Is it labour? But without the substance and forces of Nature, labour cannot create any wealth at all. Then is

it, perhaps, both labour and Nature? But does that not conflict with the earlier conclusion that labour is the sole source of value?

The foregoing shows the need for a comprehensive approach to the question of the source of the capitalist society's wealth, and since that wealth itself is two-fold, its sources are two-fold as well. If wealth is regarded as a sum-total of use-values, its sources are seen to be the concrete labour of wage-workers, and Nature. Regarded as value, capitalist wealth has only one source, and it is abstract labour, or to be more precise, surplus abstract labour. Capitalist wealth is materialised and accumulated surplus abstract labour, the result of the long accumulation of the surplus-value created by the working class and gratuitously appropriated by the bourgeoisie. This two-fold source of wealth is shown in the following diagram.

Fig. 8



It follows that the sources of material wealth and the sources of value wealth represent different phenomena and processes, although they are closely linked with each other. The sources of wealth, viewed from the material (natural) aspect, have an effect on the volume of the use-values produced, but take no part at all in the creation of value.

Marx criticised the statement in the Gotha Programme that "labour is the source of all wealth", and insisted that "labour is *not the source* of all wealth. *Nature* is just as much the source of use-values (and it is surely of such that material wealth consists!) as labour".[1] He saw "Nature" in the broad sense of the term as including both the substance directly provided by Nature and that transformed by labour, together with the forces of Nature which are a part of the production process in the form of the instruments of labour and the objects of labour.

Let us bear in mind that all economic phenomena directly connected with commodities have a dual nature, and here much interest attaches to an analysis of the problem of socially necessary labour which determines the magnitude of commodity-value, for it shows that *socially necessary labour also has a dual nature.*

Socially necessary labour has been defined as solely the expenditure of the human labour required on the average for the production of a commodity, an approach that is correct only as a definite stage in theoretical analysis from which there is still a long way to go before the complex phenomenon of socially necessary labour is fully scrutinised.

For one thing, such an approach fails to take full account of the dual nature of commodity-creating labour, and so also of the dual nature of socially necessary labour under commodity production. After all, if labour is to be the source of commodity-value, it has to be expended in some useful form. If labour fails to create a use-value, it cannot operate as the creator of value. Consequently, the useful form of labour is essential for making labour socially necessary, and that because it is the useful form of labour that establishes the connection between production and a definite social want which it goes to satisfy.

So, we find the very first definition showing that socially necessary labour is a two-fold phenomenon. On the one hand, it is socially necessary because of its useful form, because it alone corresponds to the character of the social want. On the other, it is socially necessary also in the sense that it corresponds to the average social expenditures of labour on the production of the relevant commodity. How-

[1] Karl Marx, "Critique of the Gotha Programme", in: Karl Marx and Frederick Engels, *Selected Works* in three volumes, Volume Three, Progress Publishers, Moscow, 1973, p. 13.

ever, that is true only if the volume in which the given commodity is produced coincides with the volume of the social want of it (the volume of effective demand).

Whenever the two fail to coincide, important distinctions transpire between the actually expended labour in the given useful form and socially necessary labour. It is a commonplace that in the event of an over-production of commodities, the excess supply fails to find an outlet and the superfluous commodities lose their use-value and so also their value. These commodities will either be destroyed or temporarily taken off the market and converted into commodity stocks.[1] Over-production is known to signify that the volume of output is in excess of the volume of social wants (under capitalism—paid-up, or effective demand), so that the whole labour which has been expended on the commodities in excess of social wants ceases to be either a source of use-value or a source of value. It follows, first, that the labour actually expended on the production of commodities does not always coincide with socially necessary labour, and in the above case is in excess of it; and second, that socially necessary labour is that labour which has gone into the production of commodities only within the limits of social wants (effective demand). Commodity-value is, therefore, the expenditure of labour averaging out per commodity-unit, the total mass of which corresponds to the volume of social need (effective demand) for the given commodity. Whenever the total mass of produced commodities is in excess of the volume of social needs (effective demand), the labour expended on the excess mass of commodities ceases to be socially necessary.

What happens to this relation of the actually expended and the socially necessary labour, whenever the volume of output of the given commodities falls short of the volume of social wants? In that case, there will be no change in the overall volume of socially necessary labour (naturally, so long as the productive power and intensity of labour remain unchanged) and it will still be determined by two factors: first, the expenditures of labour that are on the average necessary for the production of a commodity-unit, and

[1] In the fourth quarter of the pre-crisis year 1973, there was evidence of the largest (in the preceding post-war period) build-up of inventories in the United States (estimated at $25 billion in annual terms), so indicating a glut of unmarketable goods (*Handbook of Cyclical Indicators*, Washington, 1977, pp. 146, 149).

second, by the volume of the social need for such commodities.

The implication is that in the event of an under-production of commodities, their smaller mass will embody a greater volume of socially necessary labour, and the value of a commodity-unit will increase, so that the actually expended labour will be smaller than the socially necessary labour applying to the whole mass of these commodities and to their every unit.

In the event of an under-production of commodities, a situation could arise in which the commodity-value will grow, while the productive power of labour increases and the actually expended labour per commodity-unit, decreases accordingly. That could happen if, on the one hand, there is a faster growth of the gap between the volume of the social need for the given commodity and the volume of its actual output, than, on the other hand, the reduction in the average social expenditures for the production of such a commodity-unit. An ever larger mass of socially necessary labour will then be spread over a smaller (absolutely or relatively) mass of commodities produced, so that the value of the commodity-unit will grow, while the rising productive power of labour will induce a diminution in the expenditures of labour on the production of such a commodity-unit.

What is the mechanism behind the formation of socially necessary labour determining the value of a commodity-unit and of the entire mass of the given type of commodities in the face of a commodity shortage? Capitalism rejects any other form for expressing the volume of social wants except the sum-total of effective demand for the given commodity, i.e., the sum of values embodied in the general money form. In Volume Three of his *Capital*, Marx shows that, with demand in excess of supply, the market value of a commodity is determined by the expenditures of labour under the worst conditions of production, which then operate as the social (and spontaneous) regulators of exchange-relations.[1] Moreover, when confronted with inadequate supply, buyers and sellers, who are in mutual competition with each other, increase the price of the commodity over and above its market value up to the point at

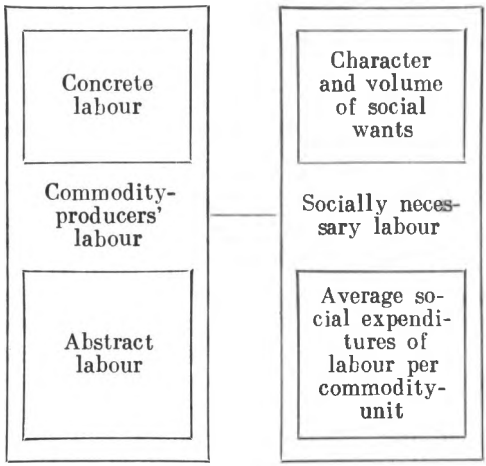
[1] See Karl Marx, *Capital*, Vol. III, Progress Publishers, Moscow, 1971, pp. 173-99, 635-36.

which the whole volume of the effective demand for the given commodity at the given time is exhausted.

Consequently, the commodity price will go up to the volume of labour expenditures equal to the volume of the social need for the commodity multiplied by the social expenditures of labour in the worst conditions of production and divided by the quantity of actually produced commodities. At this point, the price will correspond to the expenditures of socially necessary labour required for turning out the volume of commodities equal to the volume of social need in terms of a unit of the actually produced commodity.

Here is a diagram outlining socially necessary labour.

Fig. 9



We find, therefore, that any disbalance between the volume of production and the volume of social needs caused not only by over-production but also by a shortage of commodities on the capitalist market signifies a waste of social labour for which the labouring masses ultimately have to pay the price.

The doctrine of the dual nature of labour contains within itself impulses that have far from been used up for an in-depth analysis of the mechanism by which socially necessary labour is formed under contemporary capitalism.

2. The Dichotomy of the Commodity World into Commodities and Money. The Dual Structure of Money

At the early stages in the development of commodity relations, one commodity was directly exchanged for another without money acting as a medium of such exchange. The commodity's undeveloped contradictions between use-value and value was not yet in need of an independent form of expression, but the need became ever more insistent as commodity relations developed. The world of commodities was divided into two groups: commodities proper and money (see Fig. 10). "The historical progress and extension of exchanges develops the contrast, latent in commodities, between use-value and value. The necessity for giving an external expression to this contrast for the purposes of commercial intercourse, urges on the establishment of an independent form of value, and finds no rest until it is once for all satisfied by the differentiation of commodities into commodities and money." [1] As a result of that dichotomy, value, an expression of one aspect of the commodity, acquires an independent existence and so becomes adequate to the concept of money, which "is the independent, tangible form of existence of value, the value of the product in its independent value-form, in which every trace of the use-value of the commodities has been extinguished." [2]

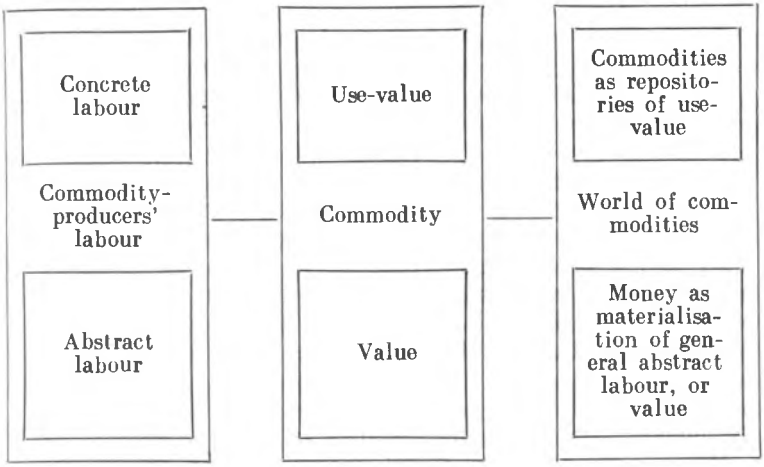
The "money is the independent form of existence of value" formula contains a number of initial methodological propositions underlying the whole set of characteristics of money as a relation of production. First, it shows the specific quality of money, that which lies at the basis of its functioning as the general equivalent of value; second, it expresses the dialectical interconnection and organic unity of commodity and money, which classical bourgeois political economy failed to understand; and third, it provides the logical basis for analysing the historical character of money, its evolution from simple to more elaborate forms, and its economic limitations.

What is specific about the formula is that in money value is not presented in some abstract definition, as it is in the characterisation of the two sides, or factors, of commodities, but in a different state, which is the immediate exist-

[1] Karl Marx, *Capital*, Vol. I, p. 90.
[2] Ibid., Vol. II, p. 59.

ence of the qualitative and quantitative characteristics as a unity: "Value only exists independently in money." [1] In order to comprehend this, there is a need theoretically to

Fig. 10



demarcate the specific categories of abstract and social labour.

Let us recall that abstract labour is the principal qualitative characteristic of value. By contrast, social labour, determining, as it does, the economic ties between individual commodity-producers and the society as a whole, is the principal expression not of the substance of value, but of its magnitude, of its quantitative definiteness. Under commodity production, the only possible measure of its expression is provided by socially necessary labour-time, which (as the analysis in the preceding section shows) implies the use for the production of commodities not only of the time corresponding to the average socially normal conditions of production, but also of the time that is proportional to social requirement. Socially necessary labour-time determines the quantitative limits of the parts of the aggregate labour-time which the society can purposefully spend on the various spheres of production in general, and on the individual commodities in particular, and so is the means by which the correspondence of production to social require-

[1] Karl Marx, *Theories of Surplus-Value*, Part III, p. 137.

ment is spontaneously ensured, and consequently also the means by which the specific proportionality of commodity production is spontaneously ensured.

A clarification of the specific character of social labour as the means for expressing the quantitative characteristic of value creates the necessary logical prerequisites for going on to the next and higher stage of analysis of value, namely, an examination of value as the sole quantitative and qualitative definiteness, i.e., value as measure. Its substance is abstract general social labour as a logically integral concept, a synthesis of abstract and social labour, whose separation is permissible only as a stage in the scientific cognition of reality. Taken in isolation from each other, abstract labour and social labour are theoretical abstractions which are, in fact, inseparable from each other, and which acquire a substantive definiteness in the process of production itself. At the same time, it is only the commodity-equivalent that is the immediate repository of abstract general social labour, because within the system of commodity circulation, it has a specific social function, namely, the general measure of commodity-values.

When analysing the social specific of the labour represented in the commodity-equivalent, there is a need to reckon above all with the doubling of its use-value in virtue of its special place in the exchange-relation: the presence within the single substance of a special and general use-value stemming from the character of the social function performed by the given commodity. It is the duality of the use-value of the commodity-equivalent that ensures the actual blend of the concepts of abstract and social labour: while special use-value is the immediate repository of value as a derivative magnitude of abstract labour, general use-value, whose functional place is determined by the fact that it is the basis for the expression of the magnitude of commodity-value, is the materialisation of social labour. As a result, abstract and social labour, expressing separately the fundamentally distinct character of the relations of production, blend with each other in the commodity-equivalent, constituting a qualitatively new substance: abstract general social labour. In this sense, abstract general social labour is an integral quality in which the independence both of abstract and social labour is extinguished. The point is, therefore, that the contradiction of the quantitative and qualitative aspects of value is realised in the commodity-

equivalent; value, in its real effective form, as a separate substance, is immediately expressed only in the money-commodity. It is only in the commodity-equivalent that it appears as an organic unity of quality and quantity, and in that definiteness contains in embryo all the parameters which characterise the concept of money.

The above propositions offer a theoretical basis for the scientific comprehension of the substance of money proper. Marx says that money is abstract labour developed to an understanding of abstract general social labour, a proposition which is most fundamental for the theory of money relations. It cannot be ignored, because, otherwise, on the one hand, the very substance of money is distorted, and on the other, the dialectical interconnection between the concepts of value and money is obscured, as will be seen from Benjamin Franklin's mistakes in the theory of money. Marx stressed that Franklin had come very close to an understanding of the category of abstract labour as labour "which has no particular quality". However, since Franklin "does not explain that the labour contained in exchange-value is abstract universal social labour, which is brought about by the universal alienation of individual labour, he is bound to mistake money for the direct embodiment of this alienated labour. He therefore fails to see the intrinsic connection between money and labour which posits exchange-value, but on the contrary regards money as a convenient technical device which has been introduced into the sphere of exchange from outside." [1]

What is of fundamental importance about Marx's view of money is not only the mutual ties between individual commodity-producers which are realised on the basis of abstract labour, but also the expression of their personal dependence on social production as a whole. The money form ensures not only the exchangeability of commodities, but also realises the specific relation of the special commodity to all the other commodities, i.e., the relation of individual (private) labour-time to the existence of universal labour-time, the relation of the commodity-producer's personal dependence on the aggregate social labour. [2] Within the char-

[1] Karl Marx, *A Contribution to the Critique of Political Economy*, pp. 56-57.

[2] "Thus the *labour of individuals* has to be directly represented as its opposite, *social* labour; this transformed labour is, as its immediate opposite, *abstract, general labour*, which is therefore

acterisation of the substantive specifics of money, of money as the universal value-equivalent, that proposition is definitive, for it is a reflection of a fundamentally important function of money, which is its capacity to operate not only as a simple intermediary of exchange, but also as an active factor in the development of the society's productive forces, and as a special form in which the specific proportionality of commodity production is realised.

The definition of money as the universal, or general, value-equivalent is an expression of its specific social function and social monopoly by means of which value, as a "social relationship" of commodities, as their "economic quality", [1] acquires the form of its immediate realisation. However, that definition does not suggest a hard-and-fast relation. It is necessary to bear in mind that as commodity production develops, value, the prime medium through which money expresses its quality, is constantly modified and filled with a new content. In his *Capital,* Marx draws a distinction between the concepts of "immediate real value", as a simple expression of value, "the value of a capitalistically produced commodity", "international value", and "self-expanding value". Each of these concepts, characterising the development of the relative form of value, is a reflection of definite historical stages in the development of commodity production, and this also sheds light on the changing substantive definiteness of money as the universal value-equivalent. [2] Marx says that "the equivalent expresses the condition for the reproduction of the product as a condition which it posits from exchange". [3] It follows that the economic category of universal equivalent does not express the substance of money in general, but the specific substance which is filled with a new content

represented in a general equivalent. ... This necessity to express individual labour as general labour is equivalent to the necessity of expressing a commodity as money" (Karl Marx, *Theories of Surplus-Value*, Part III, p. 136).

[1] Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, S. 59.

[2] "Dialectics in the proper sense is the study of contradiction *in the very essence of objects*: not only are appearance transitory, mobile, fluid, demarcated only by conventional boundaries, but the *essence* of things is so as well" (V. I. Lenin, "Conspectus of Hegel's Book *Lectures on the History of Philosophy*", *Collected Works*, Vol. 38, pp. 251-52.

[3] See Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, S. 507.

within the framework of the various stages of commodity production. Just as the specific conditions of social reproduction and, accordingly, the objective criterion of socially necessary expenditures of labour tend to change at every stage of the historical development of commodity production, so there is a similar change in the content of the production relation, which is materialised in the universal value-equivalent.[1]

The foregoing analysis testifies to the existence of an indissoluble dialectical unity between the categories of commodity-value, exchange-value, and money. The intrinsic connection between these categories operates in the conditions of developed commodity relations as a specific law of commodity production and circulation. Neither commodity nor money exists without such a connection.[2] It is important here to take note that money is both the only possible means for measuring value, and is autonomous in its expression. Being not simply the commodity's capacity for exchange in general, but its specific exchangeability, value can reveal itself only through the medium of money. Marx says that "all the properties that are enumerated as particular properties of money are properties of the commodity as exchange-value; properties of the product as value".[3] In this sense, money, like exchange-value, is integrated in the very concept of value. A Soviet philosopher says: "In order to define a concept it is not enough to indicate the general, the species. What is also needed is the specific definiteness, which means that the content of a concept includes not only the general, but also the particular and the individual as a unity."[4] One can similarly assert that exchange-value and money, as the particular and the individual, are intrinsically implied in the concept of value. Engels drew attention to this fact and emphasised: "Money is alread contained in embryo in the concept of value; it is value, only in developed form."[5]

What has been examined most obviously shows that the

[1] Ibid.

[2] "The splitting of a commodity into commodity and money is a law of the expression of the product as a commodity" (Karl Marx, *Capital*, Vol. II, pp. 358-59).

[3] Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, S. 60.

[4] P. V. Kopnin, *Dialectics, Logic, Science*, Nauka Publishers, Moscow, 1973, p. 275 (in Russian).

[5] Frederick Engels, *Anti-Dühring*, p. 365.

recent attempts by some economists to prove the proposition that value is autonomous with respect to money are methodologically vulnerable. It is a proposition that provides a peculiar starting point for the idea that it is possible to return to the full-scale form of value as a basis for the existence of paper money autonomous from the money-commodity. Indeed, the assumption of value and money being autonomous quite logically indicates that a substitution of simple tokens, vouchers, etc., for the money-commodity would not upset the whole system of production relations based on commodity production. However, the foregoing analysis shows that "autonomous value" can exist only under simple commodity circulation, when commodity production is still in an embryonic state, and when, in virtue of the undeveloped character of relations of production, "neither the commodity preserved itself in the form of money, nor money preserved itself in the form of commodity; each of them was either the one or the other".[1] Under developed commodity relations, this kind of autonomous value can be conceived only in epistemological terms.

The concept of money as some kind of "monopoly commodity" without any immediate materiality and representing in circulation the value of the society's aggregate commodity through the medium of paper money, is likewise seen to be methodologically flawed, and that for the reason that, in this case, money is deprived of its most important qualitative characteristic, namely, that of being the materialisation of the commodity's exchange-value. Being expressive of an integral relation, the aggregate commodity is not involved in direct exchange, and does not stand in contrast to the individual commodity, which is why it cannot be a means for resolving the antagonistic contradiction between private and social labour, and concrete and abstract labour.[2] This contradiction can only be resolved in the process of circulation "by setting apart one commodity from the mass of commodities, and all of them measuring their values in the use-value of this excluded

[1] Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, S. 435.

[2] The category of money, Marx says, springs only "from the contradiction between the general character of value and its material existence in a particular commodity" (Marx to Engels in Manchester, April 2, 1858, in: Marx, Engels, *Selected Correspondence*, p. 98).

commodity, thereby directly transforming the labour embodied in this exclusive commodity into *general, social* labour".[1]

In saying that, one should bear in mind that the relative value of paper money is formed as a derivative magnitude of the exchange-value of the mass of commodities which it sets in circulation, but since the exchange-value of the circulating mass of commodities can be expressed only in the real value of money—of the commodity—through money's capacity as a measure of values, the connection between the value of the money-commodity and the value of the functional, paper forms of money does not disappear. It is merely mediated by the exchange-value of the commodity mass and is realised on the basis of this interconnection: the value of the money-commodity—the value of the commodity mass—the relative value of paper money. "Money is in reality nothing but a particular expression of the social character of labour and its products, which, however, as antithetical to the basis of private production, must always appear in the last analysis as a thing, a special commodity, alongside other commodities."[2]

3. The Historical Nature of Money. The Duality of Monetary Crises

A scientific explanation of the intricate and contradictory processes under way in the money relations of present-day capitalism, whose specific development is being broadly discussed on the pages of the economic press, requires above all a theoretical elaboration of the methodological basis underlying the principle of the historical nature of money, and a clarification of the uniformities governing the transitions from one form to another. That is quite natural because the contemporary mechanism of capitalist money relations did not come out of thin air, but was shaped in a long evolutionary process whose beginnings lie in the period of the simplest forms of money relations, which is why it is necessary to reckon with the historical continuity between modern capitalist money and its earlier forms.

Marx used the theory of the dual nature of labour and

[1] Karl Marx, *Theories of Surplus-Value*, Part III, p. 145.
[2] Karl Marx, *Capital*, Vol. III, p. 607.

of the commodity, which underlies the basic structural uniformity of all the elements of commodity relations, including the two-fold structure of money, as the initial methodological basis for determining the historical character of money and the principle of its self-development.[1] This approach runs through the whole system of Marx's theoretical analysis, but it has yet to be fully comprehended in present-day economic studies of the nature of money.

The social nature of money is determined by the foregoing factors which bring out the logical interconnection between the concepts of abstract labour, the value of the commodity, and money as the general value-equivalent. Marx says: "The exchange-value of the commodity is its immanent monetary attribute; this monetary attribute detaches itself from the commodity as money, assumes a general social existence separate from all specific commodities and their natural form of existence."[2] We find, therefore, that, according to Marx, the social property of money is expressed in its capacity of separating and realising the commodity-value. However, the purpose of money cannot be confined to that function alone. The actual exchange through the medium of money is a process which ensures the movement not only of the commodity's value, but also of its use-value. Accordingly, this important component characteristic of money lies in its capacity to service the technical side of exchange, namely, the movement of use-values, the line of interconnection of concrete labour—the commodity's use-value—money as the technical instrument of exchange.

The realisation of this line is based on the fact that the money-commodity involved in exchange is simultaneously a general and a particular commodity, being realised not only as "the general exchange-value, but at the same time a particular exchange-value among other particular exchange-values".[3] It follows that money manifests its

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[1] In this context, one researcher writes: "In *Capital*, the institution of money is analysed both in itself, and is taken as a functional part of the overall system" (V. P. Kuzmin, *The Systematic Principle in Karl Marx's Theory and Methodology*, Politizdat, Moscow, 1980, p. 89 (in Russian).

[2] Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, S. 66.

[3] Ibid., S. 69.

social property only as a general commodity and as a general exchange-value. Conversely, as a particular commodity and a particular exchange-value, money, when involved in exchange, dialectically negates its social function and realises itself only as its simple intermediary, or as its set of technical tools. Here, says Marx, money "comes into contradiction with itself and its role because it is itself a particular commodity (even when only a symbol) and therefore, in its exchange for other commodities, is again subject to particular conditions of exchange which contradict its universal unconditional exchangeability".[1] That, Marx emphasises, is "a new source of contradictions which manifest themselves in practice".[2]

Let us note that bourgeois political economy makes no qualitative distinctions between the concepts of price and value, so artificially confining the analysis of money to the line of interconnections determining the movement of use-values, and, accordingly, slides down to a purely technical view of money. Marx sharply criticised this narrowness of approach which is taken by all the bourgeois schools without exception, including classical political economy. However, that does not warrant going to the other extreme, i.e., bringing out only the social property in money, and regarding it as a mere means for realising value, so artificially eliminating money's designation of being the element within the complex system of commodity circulation by means of which it "transfers the commodities from the seller to the buyer",[3] that is, its having a purely technical application.

In order to realise that such an approach is a scientific one—although it has not yet been generally accepted in studies of the contemporary specifics of money, thus largely reducing the potentialities for theoretical analysis—it is necessary to clarify the specific duality of commodity-exchange[4] without an understanding of which it is im-

[1] Ibid., S. 68-69.
[2] Ibid., S. 69.
[3] Karl Marx, *Capital*, Vol. I, p. 116.
[4] Marx says: "In the process of exchange, its [the commodity's.—*Auth.*] existence as use-value and exchange-value is always distributed between the two sides, between the two poles ... of exchange. In circulation, its dual nature is split up" (Marx/Engels, *Gesamtausgabe*, Abt. II, Bd. 2, Dietz Verlag, Berlin, 1980, S. 70).

possible to establish the qualitative divide between the Marxist and the quantity theory of money.

When substantiating the two-fold nature of the process of exchange, Marx draws a distinction between the *notional* transformation of commodities into money, by means of which value, their social property, is expressed, and their immediate *real* transformation into money ensuring the actual movement of use-values, which had earlier, before the immediate exchange through the medium of money as the general value-equivalent, transformed notionally into exchange-values, Marx says that the commodity first has "to be exchanged for this general commodity, the symbolic general product or objectification of labour-time, before it can, as exchange-value, be exchanged indifferently for any other commodity, or be metamorphosed into it".[1] Accordingly, Marx sets forth the arguments for a fundamentally important conclusion as regards method, which is that "the notional transformation [of commodities] into money and the real one are not governed by the same laws at all".[2]

The proposition concerning the dual nature of money and the fact that the realisation of its structural parts is not regulated "by the same laws" show that intrinsically money contains within itself two forms, two lines of development: money as an expression of social connection has one cycle of development, and money as a set of instruments for the real movement of use-values—the other (see Fig. 11). The independence of the lines of development is, of course, a relative one, and it is realised within the framework of a single monetary substance. That is understandable, for money as a manifestation of social property, and money as a set of technical instruments for exchange, is materialised in a single substance and as such a unity alone can ensure the real metamorphosis of commodities, i.e., real commodity-exchange. That is why the two lines can be set apart only within the framework of a theoretical analysis, but such an approach is of great methodological significance which should not be underestimated.

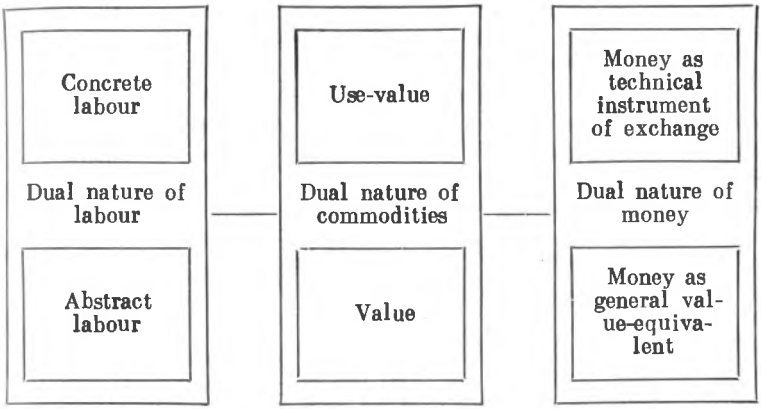
The methodological importance of the scientific substantiation of the two-fold structure of money relations, which

[1] Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, S. 86.

[2] Ibid., S. 115.

depends on the dual nature of the labour embodied in commodities, is determined by the fact that it provides a basis for a qualitative characterisation of the structure of the concrete historical forms of money, whose specifics is expressed through definite combinations of the functions of money.

Fig. 11



The point is to bring out in each form of money, including each money-function, the elements by means of which the material (natural) substance of money is realised, as is also its designation, which is to service the technical side of exchange and to effect the movement of use-values, and the elements on the basis of which the social nature of money and its role as general value-equivalent are manifested. Here it is important to take into account that the second species of elements are non-material, because their immediate purpose is to express the value of commodities. Like value in general, they do not contain a single grain of substance and are realised only through their interaction with the elements of the opposite species.

The dialectical method in analysing the historical evolution of money implies the need to identify the simplest and most elementary form which in embryo contains the basic elements of the developed relation. The main difficulty in analysing money, says Marx, "consists only in

comprehending the peculiar definite forms of money pure and simple".[1]

In Marx's theory, the model of money "pure and simple" is the simplest money form expressed on the basis of the unity of the two initial money-functions: measure of value, and means of circulation. This form being an expression of the dual nature of money, it is a general theoretical abstraction, which, on the one hand, represents the simplest concrete historical form of money—money as a simple intermediary of exchange, and on the other, keeps reproducing the element of money relations, that without which there is no money as a relation of production, that is, as a category of political economy. Arguing the point, Marx says: "As soon as gold and silver (or any other commodity) have developed as measure of value and means of circulation (in their capacity as the latter, whether in their corporeal form or in the form of a symbol), they become money regardless of the assistance or wish of the society."[2] Money, he emphasises, appears as a unity of the measure of value and means of circulation, as the "most primitive form".[3] Elsewhere, Marx says that "a commodity in which the functions of standard of value and medium of circulation are united accordingly becomes money, or the unity of standard of value and medium of circulation is money".[4]

The scientific substantiation of the specifics of money "pure and simple", money as the simplest constantly reproduced cell of money relations, is an important scientific discovery of Marx's, whose significance for the theory of money is equivalent to the discovery of commodities as the economic unit of the bourgeois society. The view of money "pure and simple", as the initial relation which is constantly being reproduced at every level, helps to explain not only the formation of money relations, but also the specifics of their present-day development, for it determines the content of the genetic ties and historical development of the structural elements and of the system of money relations as a whole, when "the latest form regards earlier ones as stages in the development of itself".[5]

[1] Marx/Engels, *Gesamtausgabe*, Abt. II, Bd. 2, S. 28.
[2] Ibid., S. 73.
[3] Ibid., S. 28.
[4] Karl Marx, *A Contribution to the Critique of Political Economy*, p. 124.
[5] Ibid., p. 211.

The duality of the simplest money form, expressed by means of two initial money-functions, is determined by the dual nature of the labour embodied in commodities. When considering this proposition, it is necessary, first of all, to note the organic interconnection of the categories of commodity-value—money as the general value-equivalent—its function as measure of value. Measure of value is intrinsically implied in value, which is realised only on the basis of the general value-equivalent by means of the function of measure of value. Indeed, value cannot manifest itself outside the context of this interconnection of categories.[1] While saying that commodity-value and measure of value are mutually determined categories, one should simultaneously emphasise that the relation of production arising directly from the process of commodity-exchange cannot be expressed only on the basis of that function. When examining the content of the function of measure of value, one must reckon with the fact that on its basis the use-value—value contradiction is not yet fully resolved, because the ideal money assessment of value, i.e., the expression of its price by means of the function of measure of value, does not yet signify the realisation of the commodity. Let us bear in mind that price is no more than a prerequisite for exchange, and that it is ultimately realised only on the basis of the function of means of circulation in the $C—M—C$ circuit, the whole point of which is to exchange use-values of a different order. Consequently, the process of exchange itself produces the need not only for the function of measure of value, but also for the general means of circulation through which the movement of the use-values of commodities is effected.

While pointing to the unity of the functions of measure of value and means of circulation characterising the means through which the elementary money form—money as a simple intermediary of exchange—is realised, it is simultaneously important to bear in mind that they are opposites as well, for they express opposite sides of money relations, which not only imply each other, but also stand in opposition to each other: "Money has a dual determination: (1) as the *measure* or element in which the commodity is realised as exchange-value, and (2) as *means of exchange*, instrument of circulation, and these two deter-

[1] See Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, S. 676-77.

minations have effects in quite different directions."[1] Accordingly, money in the function of measure of value and of means of circulation—two opposites which mutually imply and mutually exclude each other—constitutes the two poles of the initial contradiction of money relations which determines the objective logic of their self-development. Indeed, the actual role of the contradiction between them tends to be distorted if the functions of measure of value and means of circulation are seen merely as a direct unity which realises itself only on the basis of its immediate materiality, as some writers assert.

In actual fact, the development of money relations does not eliminate the contradiction, but creates, through qualitative transitions to new forms of money, the basis for its manifestation in a new state, initially as a contradiction between the complexified money-functions, and then as a contradiction between the money-commodity and the functional money forms. Such an approach creates the methodological groundwork for a cognition of the specific realisation of the initial contradiction at various levels and helps to bring out the systems-forming connection and subordination of the historical movement of money forms, and so also the historical nature of money.

Whereas money, as a unity of the functions of measure of value and means of circulation, expresses the nature of money relations originating from exchange transactions at a relatively early stage in the genesis of commodity production and circulation, and reflects the specifics of the $C—M—C$ circuit, the development of money as hoard and money as means of payment, as a unity, implies a fundamentally different form of circulation, namely, $M—C—M$, which corresponds to a higher stage in the development of the society's productive forces. Marx draws attention to the fact that money is converted from a simple intermediary of exchange into an end in itself: "Commodities are thus sold not for the purpose of buying others, but in order to replace their commodity-form by their money-form. From being the mere means of effecting the circulation of commodities, this change of form becomes the end and aim."[2] This means, therefore, that at a definite stage in the

[1] Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, S. 115.

[2] Karl Marx, *Capital*, Vol. I, pp. 130-31.

development of commodity production there is a negation of the money form, expressed through the unity of the functions of measure of value and means of circulation. Money is pre-eminently manifested in a qualitatively new unity, that of the function of hoarding and the function of means of payment.

What is, of course, meant above is a dialectical negation, one which intrinsically implies a further development of the two initial money-functions on a new basis, instead of their withering, an idea repeatedly stressed by Marx. A definition of money in its full development, he says, implies both these initial functions and is their unity, adding that "in its third determination it [money] can appear in a developed form only if it has already been developed in the earlier two" (meaning money as measure of value and means of circulation).[1] This exceptionally important formula contains the methodological basis for an understanding of the specific functions of hoarding and means of payment, without which no scientific definition of modern money can be given.

It has already been emphasised that a distinction between the elements characterising the social role and technical designation of money within the general system of money relations and within each of its functions, is of fundamental importance in Marx's theory of money. In this connection, it is important to take into account that the social role of the function of hoarding is manifested in its capacity to operate as the accumulator of value in a general abstract form, i.e., in the form of general abstract wealth. Indeed, Marx begins his examination of money relations precisely with an analysis of that capacity of money, both in *A Contribution to the Critique of Political Economy*, and in his *Capital*.

"General abstract wealth" is a category of capitalist commodity production. Under direct barter trade, the initial form of exchange, money as a simple intermediary of exchange could not operate as "general abstract wealth", and the role of social wealth still belonged directly to the use-values of commodities.[2] The capacity of money to appear as the materialisation of general abstract wealth took shape

[1] Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, S. 135, 136.

[2] See Karl Marx, *A Contribution to the Critique of Political Economy*, pp. 28, 49.

only under developed commodity production, when value was set entirely apart as an independent money form. In that context, Marx says that "money, i.e., exchange-value which has assumed an independent existence, is by nature the embodiment of abstract wealth".[1] This means, of course, an additional property of money reflecting a higher stage in the development of money relations. However, this proposition, which is not only of theoretical but also of fundamental practical importance characterising the growing qualitative specifics of money under the capitalist commodity production, is not always taken into account.

Marx says that under developed commodity relations, money tends to acquire an additional function—the preservation of value—but does not set it up as an absolute, an approach which differs fundamentally from that of John Maynard Keynes, who brings it to the fore, so mechanically eliminating all the other functions of money, notably its main function, that of being the measure of value. By contrast, Marx says that money's function as the general materialisation of social wealth is dialectically connected with its function of measure of value, as an extension of that function, and simultaneously as the material repository of value.

As a form of hoarding, says Marx in this context, money functions "as an independently expressed exchange-value, as the materially present general equivalent, as the materialised expression of abstract wealth".[2] There we find the organic connection between the function of hoarding and the general value-equivalent, by means of which the function of measure of value is realised, expressed most explicitly. Even when the function of hoarding dialectically negates the function of measure of value, the latter naturally remains the definitive function of money relations, but it realises itself, not directly, but in a "sublated form", as Hegel puts it, being immersed in the base of a higher money form.

In order to understand that, one needs to bear in mind that, as hoard, money does not sever its connection with the sphere of circulation, and indeed realises its main property—its social role—only through that connection. "When as a result of hoarding money becomes the embod-

[1] Karl Marx, *A Contribution to the Critique of Political Economy*, p. 131.

[2] Marx/Engels, *Gesamtausgabe*, Abt. II, Bd. 2, S. 22.

iment of abstract social wealth ... this aspect of money acquires specific functions within the process of circulation."[1] Hoarded money acts in its capacity as the material repository of the measure of value through its interaction with the money directly circulating in the sphere of monetary turnover as means of payment, with which it constitutes an organic unity.

One should bear in mind that the unity of money's functions of hoard and means of payment is realised functionally, and not through its embodiment in a single material repository. Just as, at a definite stage in the development of money relations, the function of means of circulation separates from the money-commodity in an independent money form—token of value—so the function of means of payment gives rise to the development of various forms of credit-money. When examining its nature, one must take into account the qualitative changes in the substance of money relations that have taken place under capitalist reproduction, which organically includes two forms of circulation: the circuit $C—M—C$ and the circuit $M—C—M$, so that "aside from its use-value as money ... it acquires an additional use-value, namely that serving as capital".[2]

From the foregoing it follows that credit-money, which now increasingly tends to supplant the paper tokens of value from the monetary sphere of present-day capitalism, cannot be regarded solely as a derivative of the money-commodity. It can be explained in scientific terms only as a dialectically determined unity of money as money proper and money as capital, as a unity of two opposite and mutually exclusive but indivisible elements, or as a genetic element of two systems of a different order, as integral properties: on the one hand, as a category derivative of capital and as the material repository of self-expanding value, and on the other, as a relation of production which has its beginnings in the money-commodity, and as a token of it. That is an expression of the intrinsically contradictory nature of modern credit-money which bourgeois political economy fails to reckon with. It tends to set up as an absolute that aspect of it which determines its genetic connection with the circulation of capital or, conversely, its connection with the value of the money-commodity, so ig-

[1] Karl Marx, *A Contribution to the Critique of Political Economy*, p. 138.

[2] Karl Marx, *Capital*, Vol. III, p. 338.

noring the fact that beyond one and the same form lie relations which are different in content, and are not identical or interchangeable.

The unity of the functions of hoarding—when money has accumulated within it the capacity to act as general value-equivalent and general abstract wealth as embodied in the money-commodity—and of credit-money is most forcefully manifested in the periods of monetary crises, when the intrinsic interdependence of the structural elements of the money-relations system is exposed. Marx says: "The contradiction immanent in the development of money as the general means of payment is manifested at the moments of monetary crises proper, when money is not demanded as a measure (of value), because as a measure of value its corporeal presence is indifferent; nor is it demanded as coin, because it does not figure as coin in payment; but it is demanded as an independently existing exchange-value, as the materially present general equivalent, as the materialised expression of abstract wealth, that is, precisely in the form in which it is the object of hoarding in the proper sense of the word, i.e., in the form of money." [1]

The internationalisation of production ushers in a qualitatively new stage in the development of money relations.

With an eye to the uniformities underlying the deepening international division of labour, Marx says that as the reproduction processes are internationalised, the boundaries for the social recognition of concrete (private) labour are enlarged, thereby creating real prerequisites not only for the fullest expression of value relations, but also for their qualitative development: "Abstract wealth, value, money, hence *abstract labour*, develop in the measure that concrete labour becomes a totality of different modes of labour embracing the world market." [2] There Marx draws attention to the historically transient nationally-limited forms of the structural elements of value relations, including the national forms of money. Within the confines of a relatively closed national market, these forms can be regarded only as relations in development, which attain full maturity only on the international level, that is, only when the national economies are linked up into a single whole by the world market.

[1] Marx/Engels, *Gesamtausgabe*, Abt. II, Bd. 2, S. 22.
[2] Karl Marx, *Theories of Surplus-Value*, Part III, p. 253.

Theoretically this signifies that under a deepening international division of labour, the contradictions between concrete and abstract labour, private and social labour, and use-value and value, i.e., the contradictions which determine the very origination and specific development of the money form of value, are resolved on an international level. Accordingly, there is a change in the objective criterion of socially necessary expenditures of labour, and—on that basis—also in the character of the relations of production expressed by means of the general value-equivalent. Under the simplest forms of money, the production relation between separate commodity-producers was realised in a single exchange transaction on the basis of the value-equivalent, and within the closed national market, the relation between the commodity-producer and the society. As the international division of labour deepens and production is internationalised, the objective relation between the commodity-producer and the world market is materialised on the basis of the general equivalent, marking a qualitatively new stage in the development of the money-value forms of relations in the course of which there is a contradictory negation of nationally-frameworked forms of money and their development into world money. That is naturally a dialectical negation which intrinsically implies the qualitative development of the national money forms into a higher international form, instead of their destruction. That completely accords with Marxist-Leninist dialectics, which "includes in its comprehension and affirmative recognition of the existing state of things, at the same time also, the recognition of the negation of that state".[1] It also accords with Marx's view that "it is only in the markets of the world that money acquires to the full extent the character of the commodity whose bodily form is also the immediate social incarnation of human labour in the abstract. Its real mode of existence in this sphere adequately corresponds to its ideal concept."[2]

Accordingly, there is a change in the nature of national (credit) money, which in economic content is transformed into peculiar tokens of the value of world money, whose function is performed by the money-commodity, gold. From this it also follows that within the framework of the world

[1] Karl Marx, *Capital*, Vol. I, p. 29.

[2] Ibid., p. 141; see also *A Contribution to the Critique of Political Economy*, p. 152; *Theories of Surplus-Value*, Part III, p. 252.

capitalist economy only world money comes to be the true and full-value money, and this determines the objective necessity for the direct functioning of the money-commodity only on the world-market level: "Real money is always world-market money, and credit-money always rests upon world-market money." [1] It is in this specific form of interconnection between gold as world money and national, paper (credit) money that the dual specific of the qualitatively new and higher form of money—the money of modern capitalism—is realised.

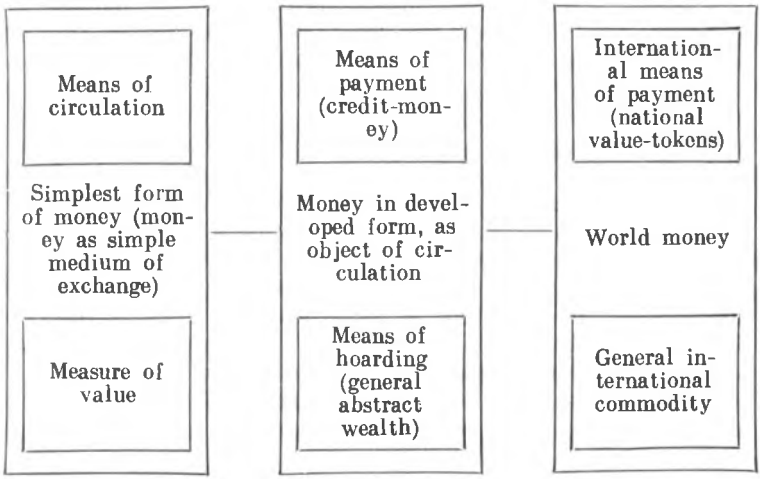
When examining the specific formation of world money, one needs to reckon with the fact that, while accumulating within itself all the earlier definitions of money, it is a direct logical continuation of the money-form expressed through the unity of the functions of hoarding and means of payment. When arguing this important methodological proposition in the initial text of *A Contribution to the Political Economy,* Marx says: "As hoard and as general means of payment, money becomes a general means of exchange on the world market, a general commodity, not only in concept, but also in mode of existence." [2] It is obvious, therefore, that the social nature of world money is manifested directly in its function of hoarding, when the specifics of money as the general international commodity that is realised everywhere as a "material representative of general wealth" [3] are brought out to the full extent. [4] Meanwhile, money's function as international means of payment is realised through the medium of national tokens of value. The growth in the post-war period of integration processes, the development of interstate-monopoly regulation and the functioning of supra-national state-monopoly institutions have created the necessary prerequisites for the all-round development of credit relations in the sphere of in-

[1] Karl Marx, *Capital*, Vol. III, p. 536.
[2] Marx/Engels, *Gesamtausgabe*, Abt. II, Bd. 2, S. 23-24.
[3] Ibid., S. 26.
[4] According to official statistics, centralised gold reserves in the early 1980s came to roughly 36,000-37,000 tons, which in market prices constituted about one-half of the developed capitalist countries' official reserves. One of the most characteristic features of the 1980s is expected to be the further rise in the importance of gold as a reserve asset (*Price Formation on the World Market*, Mysl Publishers, Moscow, 1982, p. 197, in Russian); "Gold will remain a major element in gold reserves for the foreseeable future," says the bourgeois economist M. Gilbert (M. Gilbert, *Quest for World Monetary Order*, John Wiley & Sons, New York, p. 23).

ternational economic ties and the formation on that basis —by analogy with internal currencies—of peculiar international value-tokens substituting for the purely technical application of the money-commodity in mutual international settlements.

The foregoing analysis has helped to bring out the qualitative stages of transition from the simplest money form—money as a simple intermediary of exchange—to money in its developed form, as the end-all and be-all of exchange, and from there on to modern world money (See Fig. 12).

Fig. 12


Means of circulation
Simplest form of money (money as simple medium of exchange)
Measure of value
Means of payment (credit-money)
Money in developed form, as object of circulation
Means of hoarding (general abstract wealth)
International means of payment (national value-tokens)
World money
General international commodity

The negation of nationally-frameworked forms of money and their development into world money is a process which creates the impression that the function of measure of value is completely eliminated from the sphere of money relations, but that is no more than a superficial impression: "While being in one determination, money should not disappear in the other",[1] a methodological proposition which Marx formulated not only on the general uniformity underlying the historical nature of money relations, but also on the mode in which world money performs its function of measure of value. When hoarded, world money, the materialisation of general abstract wealth and international commodity, contains within itself the possibility of the func-

[1] Marx/Engels, *Gesamtausgabe*, Abt. II, Bd. 2, S. 76.

tion of measure of value,[1] which is realised in the same way as it is in the sphere of national money circulation through interaction with the actually circulating form of money, that is, with value-tokens acting as an international means of exchange and payment.

One should also take into account that the formation of international value and the formation of world prices on that basis go to create objective prerequisites for an essential modification of the measure-of-value function itself, namely, its development into the function of international measure of value of world money by means of which the absolute exchangeability of commodities is realised, a function without which international value would remain "a thing in itself", a potential relation.[2] That means that as internationalisation of production gains in depth, the function of measure of value of national money is dialectically negated, so that the dialectics of the historical development of money relations may be expressed in the following formula: the more comprehensively social exchange is determined by international ties, the more the national character of the functioning of money in its main property—measure of value—tends to disappear.[3]

The specific thing about the realisation of international measure of value is that gold, as hoarded general international commodity, does not directly correspond to the commodity mass, but acts as a peculiar measure of the "values" of national credit-money and international credit instruments, an effect achieved by means of the interstate migration of the money-commodity and its market operations, i.e., on the basis of the market price at which gold is realised. With reference to the specific functioning of inconvertible national paper money, Marx says: "Convertibility into gold and silver is therefore in practice the measure of value of any paper currency denominated in terms of gold or sil-

[1] "The determination of general value-equivalent contains the determination of money as general commodity, as which, it is true, money is realised only as world money" (Marx/Engels, *Gesamtausgabe*, Abt. II, Bd. 2, S. 26).

[2] Marx says that as measure of value, money must express "an identical social substance in which there is only a quantitative distinction" (Marx/Engels. *Gesamtausgabe*, Abt. II, Bd. 2, S. 58).

[3] For details see A. Galchinsky, "The Function of Measure of Value: the Mechanism of Realisation", *Mirovaya ekonomika i mezhdunarodniye otnosheniya*, No. 7, 1980; idem, "Bourgeois Theories of the Substances of Money", *Voprosy ekonomiki*, No. 6, 1980.

ver, whether that currency is legally convertible or not."[1] This important methodological proposition remains valid even under international money relations, and in this context it is obvious that the function of international measure of value consists above all in establishing the real value of national currency units, thereby providing an objective basis for their mutual convertibility. That is what Marx means, in effect, when he says that "one national currency is expressed in another"[2] through the medium of world money.

What has been said shows that as money relations are internationalised, there is a marked complexification of the links between national tokens of value and the money-commodity as the basis on which the interaction between the two initial functions of money—measure of value and means of circulation—is realised in a peculiar form. That is, in effect, a manifestation of the general dialectics underlying development from the simple to the complex. Given the circulation of inconvertible value-tokens, their interconnection with the money-commodity is effected on the basis of an official, or statutory, convertibility of paper money into gold. When inconvertible value-tokens circulate, their value interconnection with the money-commodity is realised spontaneously, through the market mechanism, and this makes the interconnection contradictory and sporadic. But since one is dealing with the two poles of one and the same monetary substance, that is, with a peculiar division of "labour" and specialisation within the whole complex of money relations, one could draw, in the light of the objective laws of dialectical logic, the conclusion that this interrelation cannot, in principle, be ever eliminated: it may be modified, but it cannot disappear, as otherwise the specific nature of money would disappear with it.

It is particularly important to analyse the economic function of special monetary crises[3] in order to clarify the

[1] Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, S. 52.

[2] Karl Marx, *Capital*, Vol. III, p. 318.

[3] Marx says that two types of monetary crises may develop: general monetary crises, which are directly connected with the capitalist economic cycle and which are a component element of cyclical economic crises, and special and independent monetary crises whose origination and development are determined by the deepening of the intrinsic contradictions of the monetary system (see Karl Marx, *Capital*, Vol. I, p. 137 (footnote); *Capital*, Vol. III, p. 517).

mechanism by means of which value links between the money-commodity and inconvertible value-tokens are established and their relative value adequacy is achieved, a problem which has yet to be given the desired theoretical clarification in economic writings. [1]

The generally accepted view is that as the general crisis of capitalism deepens, the two types of monetary crises are closely interwoven, a view that cannot raise any objections from the standpoint of their eventual impact on the process of capitalist reproduction and the dynamics of the economic cycle. However, for the purposes of theoretical analysis it is not right to identify general and special monetary crises.

Any theoretical analysis of special monetary crises is made difficult by their two-fold nature, which springs from the two-fold structure of money. I think that two types of special monetary crises need to be distinguished: 1) special monetary crises as structural elements of the money-relations system; and 2) special monetary crises of the money-circulation mechanism. These need to be demarcated because they have different complex causes, run at different levels and have different functions.

Let us bear in mind that the interaction of the two aspects of the initial money form, of the two money-functions is the objective source of the self-development of money relations, because as money develops, they first grow into an antithesis, and then into an antagonistic contradiction.

The development and deepening of this contradiction initially led to a complexification of money-functions and then to the emergence of functional money forms and their specialisation in the fulfilment of a definite range of functional duties originating in the process in which the whole set of money relations is realised. As a result, the intrinsic antithesis of the initial money form—the antithesis between the functions of measure of value and means of circulation—is transformed, at a definite stage in the development of money relations, into an antithesis between the money-commodity and the functional forms of money, and then into an antithesis between world money and national credit-money, which the internationalisation of money relations effectively transforms into peculiar tokens of value of world mon-

[1] Cf. the fundamental study by Academician I. A. Trakhtenberg, *Monetary Crises*, USSR Academy of Sciences, Moscow, 1963 (in Russian), which analyses the specifics of general monetary crises.

ey, whose function is still monopolised by the money-commodity, that is, gold.

The special monetary crises of the first type are the specific form in which the constantly arising and most profound contradiction between the money-commodity and its functional forms is resolved. The economic function of these special monetary crises is forcibly to re-establish the systematically disrupted value-interconnection between the complementary and inseverable elements of the monetary mechanism, elements which are separated in space but are intrinsically not independent of each other—the hoarded money-commodity, on the one hand, and the variegated value-tokens functioning in circulation, on the other. Whenever their separation, i.e., the contradiction between them, reaches a definite critical magnitude, their unity is re-established forcibly—by means of monetary crises, and that makes it evident that the effective inner unity of these elements of the monetary system, which seem to be autonomous with respect to each other, is clearly revealed precisely in the monetary crises that are a constant concomitant of capitalist development.

The foregoing helps to identify the following specific features of the first type of special monetary crises.

First, these special monetary crises are the groundwork of money relations because they regulate the value interconnection between two functionally inseparable elements: the function of measure of value and the function of means of circulation. They are a component element of the mechanism through which the law of money circulation is realised, the element without which the given law cannot demonstrate its objectively determined character.

Second, they are by nature cyclical monetary crises, developing in accordance with their own logic, their own "specific laws" and "distinct phases".[1] Monetary crises are cyclical because their independence is, on the whole, relative and is realised within the framework of the general laws dictated by the process of production and the circulation of commodities to which it is ultimately subordinate. It is the cyclical nature of special monetary crises that provides the basis on which they approximate to general monetary crises in the ultimate impact on the structure of commodity circulation.

[1] Engels to Conrad Schmidt in Berlin, October 27, 1890, in: Marx, Engels, *Selected Correspondence*, p. 398.

Special monetary crises and their forms differ from one phase of money relations to another. Under the gold-exchange standard, when the depreciation of the functional forms of money becomes chronic, the forcible re-establishment of their value-interconnection with the money-commodity is effected sporadically through currency devaluations and a corresponding reduction in their gold content. In this sense, this value-interconnection is an instrument of relative stabilisation of money circulation, an economic instrument ensuring a temporary way out of the periodically erupting crisis processes, and the scale on which this instrument may be used will be seen from the more than 500 devaluations carried out in the capitalist countries from 1946 to 1973 under the Bretton Woods monetary system.

Under the present Jamaica capitalist monetary system, the mechanism used for regulating the functional interconnection of world money (gold) and national value-tokens has undergone substantial changes manifested in the further adaptation of the monetary mechanism to the new pattern of forces within the capitalist international division of labour which had taken shape by the early 1980s. In the new conditions, the interconnection between the two functional elements of the international monetary system is realised, first, through a horizontal interconnection between national monies which is effected by means of a system of "floating" exchange-rates for the capitalist currencies designed to fulfil the peculiar function of automatic (market) stabiliser that is built into the mechanism of international monetary ties and that should produce the effect of a daily devaluation or revaluation; and second, through a vertical interconnection between gold and the national value-tokens realised spontaneously on the basis of market operations involving the money-commodity.

In contrast to the special monetary crises as a basic element of the money-relations system, the special monetary crises of the second type affect the mechanism of money circulation, being manifested as a component part of the periodically recurrent crises of the general capitalist economic mechanism [1] and being directly linked with the system of the state-monopoly regulation of money relations.

[1] The uniformities according to which crises of the capitalist economic mechanism develop are circumstantially examined in Y. V. Shishkov's *The Capitalist Economy without a Compass*, Politizdat, Moscow, 1981 (in Russian).

In analysing money relations, it is highly important to bear in mind the specific features of the system of money relations as an object of state-monopoly regulation. At every stage of its development, the capitalist state has actively intervened in the sphere of money relations, which may be among the prime spheres—if not the prime sphere—of state regulation. But it has objective limits which circumscribe the sphere of money circulation, i.e., the sphere in which the money-functions of means of circulation and means of payment are mainly realised. At the same time, the state is obviously incapable of exercising direct regulation of the function of measure of value, money's initial and definitive function through which its social substance is manifested. Like value in general, the measure-of-value function takes shape spontaneously, via the market mechanism, behind the backs of the commodity-producers. Even at the interstate level, and despite the fact that economic ties are effected through the interaction of sovereign states, the formation of the international value of commodities and, accordingly, the realisation of the function of international measure of value proceed spontaneously and, on the whole, defy conscious state-monopoly regulation. Accordingly, the mechanism of state-monopoly regulation, which is forced to accept the changes occurring within the system of money relations and to adapt to them, has a direct effect only on the sphere of money circulation. However, the monetary mechanism modifies sporadically rather than smoothly or continuously. Whenever the changes in the money-relations system become considerable, the monetary mechanism in its old form becomes incapable of effectively playing the part of regulator of money circulation, and that is what determines the crisis of the monetary mechanism and the necessity for its qualitative and structural modification. That kind of special monetary crisis is epitomised by the crisis of the Bretton Woods system.

In economic function, the monetary crises of the money-circulation mechanism differ in kind from the special monetary crises of the money-relations system, but they are also closely meshed, being a logical extension of each other, and together providing the objective basis for the development of money relations.

Consequently, an analysis of the special monetary crises which are a constant concomitant of the capitalist economy and, far from being denied, are, in effect, turned into an

absolute by bourgeois political economy, yields a number of important theoretical prerequisites for shedding light on the uniformities underlying the development of capitalist money relations. Such an analysis helps, first, more clearly to determine the correlation between the objective and subjective factors in the development of the monetary system and shows its historical character. Second, it helps to bring out a number of key aspects of the mechanism by means of which money-functions are realised, above all, creating the basis for showing how the functional connection between the two initial and definitive functions of money—measure of value and means of circulation—is realised in contemporary conditions. Third, it helps to disclose the specific features of the value-interconnection and functional interaction between the money-commodity and the functional forms of money, including contemporary world and national credit-money.

The analysis which brings out the specific historical character of money and the functional role of special monetary crises helps to gain an insight into the relation between gold, as money-commodity, and the concrete historical money forms, a problem which is of fundamental theoretical and practical importance, and one which is under discussion on the pages of the economic press. Marx's examination of the historical character of money relations and of the various definitive forms which money assumes in the process of circulation enabled him to formulate the fundamental methodological proposition that the change of money forms does not depend on the change of the material vehicle of money relations. At every level of analysis in Marx's theoretical system, gold figures as the money-commodity, an assumption which accords with the actual facts of money circulation under capitalism. But it would be altogether wrong to assume that the functioning of gold as the material vehicle of money relations signifies that these relations have some kind of invariable content. One will find nothing of the sort in Marx's theoretical system, for he says that "the distinct form in which gold crystallises into money depends in each case on the way in which the exchange-values of commodities are represented with regard to one another",[1] so that the forms in which gold crystal-

[1] Karl Marx, *A Contribution to the Critique of Political Economy*, p. 68.

lises at various stages of commodity production as money do not express identical relations of production, and that should alone suffice to refute the frequent allegations that Marx examined only the simplest forms of money.

One should also bear in mind that Marx did not in principle rule out the possibility of a substitution of gold in its money-functions, and stressed that "at the stage of which alone we can speak so far, these demands are most fully realised in the precious metals".[1] So, if their natural properties cease to correspond to the continuously changing requirements of commodity circulation, they could—and should—be replaced by another commodity. But that is a role which can be claimed only by the commodity, since any other alternative ruling out the functioning of a definite commodity as the general equivalent implies a fundamentally different character of production relations which transcends the boundaries of commodity production.

4. Labour Productivity: the Productive Power (Productiveness) of Labour and the Intensity of Labour

Marx's dual-nature-of-labour doctrine helps to disclose the complex and dual structure of the important phenomenon of labour productivity, and also of the dual nature of the factors determining the level of labour productivity. In the most general terms, labour productivity is expressed in the quantity of use-values produced in a unit of time, or in the expenditure of labour-time per product-unit.

The record shows that there are only two ways in which labour productivity can be raised. One is to increase the volume of use-values produced in a unit of time through the employment of improved hardware and technology, the workers' greater proficiency, more effective objects of labour, better organisation of production and its more efficient management, and other methods implying progressive changes in the purposeful, useful form of labour, i.e., to raise the efficiency of the commodity-producer's concrete labour.[2] When considered in its pure form, this way of rais-

[1] Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, S. 505.

[2] Marx says that a machine used in production is a method for developing the productive power of labour (see *Capital*, Vol. I, p. 351).

ing the productivity of labour involves changes only in the concrete labour, while the intensity of labour (the expenditure of abstract labour in a given unit of time) is assumed to be invariable.

The other way to raise labour productivity is to increase the intensity of labour, i.e., to increase the inputs of abstract labour per unit of time. In that case, the changes will occur only in the abstract labour, while the useful form of labour will remain invariable. Excessive intensification of labour can, of course, lead to a distortion of the concrete labour, but that is a case we shall now have to ignore in order to consider the economic phenomena in their pure form.

One may well ask: why does a growth of outlays of abstract labour in a unit of time, the labour which is known to be the source of the value of the commodity, and not of its use-value, result in a growing output of use-values?

The answer is that abstract labour does not exist without its form, concrete labour. An increase in the inputs of abstract labour implies that the abstract labour is expended in a definite useful form which goes to create the commodity's use-value. That is why in that case the growth in the output of use-values is proportional to the inputs of abstract labour.

The US corporation, General Motors, exemplifies the considerable role of the growing intensity of labour in raising its productivity under contemporary capitalism. On the assembly lines of its Lordstown, Ohio, plant, a worker has to perform definite production operations on 101 cars within one hour, taking no more than 35 seconds for each operation. There we have an increase in output through an accelerated wearing out of labour-power. [1]

The above shows that *labour productivity is complex and two-fold*, and that is natural, for if the commodity-producer's labour has a two-fold character, the productivity of such labour is of necessity likewise two-fold. On the one hand, labour productivity appears as the productivity of concrete labour, and this aspect of labour productivity was expressed by Marx in a category he called "the productive power (productiveness) of labour". The other aspect of labour productivity is the output of products obtained through an increase in a given time of the inputs of abstract labour,

[1] *Industrial Relations*, No. 2, Vol. 5, 1974, p. 4.

which, it should be borne in mind, is always performed in a definite useful form. This aspect of labour productivity is designated by Marx in a category he called "the intensity of labour".

Since the productiveness of labour is the main constituent of labour productivity, let us consider it in greater detail. The productiveness of labour is the measure of efficiency of man's purposeful productive activity, i.e., of concrete labour, and is (alongside the intensity of labour) one of the two constituents of labour productivity. The productiveness of labour naturally applies only to living (concrete) labour equipped with means of production, proficiency and skills. The term itself is by no means a casual one, for it characterises the production efficiency of the useful form of labour and its productiveness with invariable expenditures of man's physical, nervous and mental powers.

Here it is important to bear in mind that the drive to maximise profits makes the growing intensity of labour the factor behind the growing productivity of labour, and so also of the growing surplus-value, a fact which frequently results in the intensification of labour well beyond the socially normal limits, so inexorably resulting in a growth of shop-floor accidents, occupational disease, and other forms in which labour-power is destroyed. In the United States, for instance, there is evidence of a pronoounced trend towards a growth in the number of industrial injuries: the total number of industrial injuries in 1939 was 1.6 million, in 1959—2 million, in 1969—2.2 million, and in 1975—2.5 million. From 1940 to 1976, more than 70 million US citizens received industrial injuries, and more than 500,000 were killed on the shop-floor. [1]

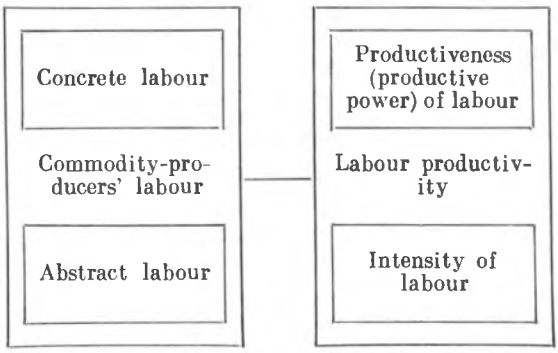
The commodity-producer's labour being two-fold, it operates as a contradictory unity of concrete labour, the purposeful useful form of labour, and abstract labour, which is human labour in general, irrespective of its form. However, the productiveness of labour applies directly to "concrete useful forms of labour... Productive power has reference, of course, *only* to labour of some useful concrete

[1] See *Rabochy class i sovremyenny mir* (The Working Class and the Modern World), No. 3, 1974, p. 88; E. P. Kassirova, *The United States: Crisis of Social Policy (The State and Social Security)*, Mysl Publishers, Moscow, 1978, p. 42 (in Russian); *Statistical Abstract of the United States* (GPO, Washington) for 1950-1977; *Economic Report of the President*, January (1969, p. 19; Political Affairs, No. 10-11, 1973, p. 49; No. 7, 1975, pp. 36-37.

form, the efficacy of any special productive activity during a given time being dependent on its productiveness."[1] The other constituent of the productiveness of the commodity-producer's labour is expressed in the intensity of labour, which is the expenditure of abstract labour in a given time for the production of commodities. Consequently, labour productivity is a complex and two-fold phenomenon, being the aggregate result of the efficiency of concrete and abstract labour, and the unity of the productiveness and intensity of labour. Marx says: "Increased productiveness and greater intensity of labour both have a like effect. They both augment the mass of articles produced in a given time."[2] While the rising productiveness of labour is an expression of a higher quality of concrete labour, the growing intensity of labour results from an increase in the quantity of abstract labour expended per unit of time.

Consequently, since labour is two-fold, labour productivity is also two-fold, and so there is a very good reason why there are only two ways of increasing the output of commodities in a given unit of time. With respect to concrete labour, labour productivity is determined by the efficiency of concrete labour, i.e., the productive power of labour, and with respect to abstract labour, by the expenditure of abstract labour in a unit of time, i.e., the intensity of labour. The dual nature of labour productivity will be seen from the following diagram.

Fig. 13



[1] Karl Marx, *Capital*, Vol. I, p. 53 (emphasis added.—*Auth.*).
[2] Ibid., p. 530.

The two-fold nature of labour productivity determines the two main ways in which it can be increased. An increase in the productive power of labour directly signifies a change in the useful, concrete form of labour (through automation and robotisation of the production process, improved organisation, use of scientific achievements in production, and so on) which results in an increase in the output of use-values in a unit of time. For its part, an increase in the intensity of labour, which directly signifies larger expenditures of abstract labour per unit of time, also leads to a growth in the quantity of use-values turned out in the given unit of time. The outward expression of the increasing productive power of labour and the intensity of labour could, therefore, be alike, although there are important technical, economic and social distinctions between these two constituents of labour productivity. Lenin says that "productivity can be raised along three lines: 1) through *intensification* of labour, i.e., its greater intensity per unit of time; 2) through *mechanisation*, i.e., a substitution of mechanical energy for the muscular efforts of men and animals; and 3) through *rationalisation*, i.e., an ordering of labour on rational principles".[1] A closer look shows that points (2) and (3) are different forms of growing productiveness of labour, while point (1) is growing intensity of labour.

This methodological approach to the productive power of labour as the key component of labour productivity elaborated by the classics of Marxism-Leninism for the conditions of commodity production remains valid in the transition to non-commodity communist production because of the nature of the productive power of labour itself, which is no more than the useful, purposeful form of labour.

All the phenomena and processes which affect the purposeful, useful form of labour in such a way as to make it more efficient, operate as factors of the growing productive power of labour: "This productiveness is determined by various circumstances, amongst others, by the average amount of skill of the workmen, the state of science, and the degree of its practical application, the social organisation of production, the extent and capabilities of the means of production, and by physical conditions."[2] All these factors have a direct effect only on concrete labour, and in-

[1] *V. I. Lenin On Electrification*, Politizdat, Moscow, 1964, p. 136 (in Russian).

[2] Karl Marx, *Capital*, Vol. I, p. 47.

directly—through a change in the purposeful, useful form of labour—on the expenditures of abstract labour for the manufacture of the product. Marx stresses the intrinsic connection between the productive power of labour and the simple process of labour, the process in which use-values are produced, and adds: "By increase in the productiveness of labour, we mean, generally, an alteration in the labour-process, of such a kind as to shorten the labour-time socially necessary for the production of a commodity, and to endow a given quantity of labour with the power of producing a greater quantity of use-value." [1]

However, the productive power of labour (which applies only to concrete labour) is frequently identified with labour productivity as a whole (i.e., a process reflecting both the efficiency of concrete labour and the expenditures of abstract labour taken as a unity). For this reason labour productivity—instead of the productive power of labour—is contrasted to the intensity of labour (which applies only to abstract labour), although the intensity of labour is only one of the constituents of labour productivity, i.e., it is already contained in labour productivity. Let us recall Marx's view of the intensity of labour as a constituent of labour productivity, for he says that increased productive power results from an increased expenditure of labour-power in a given time, i.e., from increased intensity of labour. [2]

Such a contrast obscures the important distinction between the two constituents of labour productivity: the productiveness of labour and the intensity of labour. Marx used the term "labour productivity" as a synonym of the productive power, or productiveness of labour whenever he assumed the intensity of labour to be a constant, for in that case any change in labour productivity proceeds only from changes in the productiveness, or productive power of labour, just as in the above-quoted statement by Marx, the rise in labour productivity—with an invariable productiveness of labour—results only from the growing intensity of labour. However, that cannot warrant a confusion between labour productivity and the productiveness, or productive power of labour.

The dual nature of labour productivity is demonstrated, in particular, by the dissimilar impact of its constituents (the productiveness of labour and the intensity of labour)

[1] Karl Marx, *Capital*, Vol. I, p. 298.
[2] Ibid., p. 322.

both on the value and on the use-value of commodities produced. A comprehension of the different nature of these constituents helps to discover the difference between the quantitative uniformities in the movement both of use-value and of value, depending on whether labour productivity grows in consequence of an increase in the productive power of labour or of its growing intensity.

Since the productiveness of labour is a function of concrete labour alone, it is natural that, as it rises, the quantity of use-values produced in a given time should increase, and considering that this is not paralleled by any changes in the abstract labour, and the same value is produced in the given time as before, the value of a commodity-unit will decrease, while the total value produced in the given period of time will remain unchanged. Consequently, rising productiveness of labour naturally generates an opposite movement in the commodity's use-value and its value.

What it means is that the nature of the productive power of labour, which is a function of concrete labour alone, predetermines the nature of the influence exerted by its changes on the movement of use-value and value. Considering that "no change in this productiveness affects the labour represented by value",[1] i.e., abstract labour, an increase in the social productiveness of labour directly leads only to an increase in the quantity of the use-values produced in a given period of time and/or an enhancement of their quality, while the total amount of the value produced in that period of time by that labour remains unchanged. Marx says: "However then productive power may vary, the same labour, exercised during equal periods of time, always yields equal amounts of value. But it will yield, during equal periods of time, different quantities of values in use; more, if the productive power rise, fewer, if it fall."[2] With a growth in the quantity (and quality) of use-values produced, with the amount of value represented in these use-values remaining unchanged, the value of every use-value unit tends to decrease.

Under capitalism, the growth of labour productivity and the attendant decrease in the value of commodities is not, of course, of unconditional significance, because the purpose of capitalist production is known to be the maximisation of capitalist profit, and not an increase in the producti-

[1] Karl Marx, *Capital*, Vol. I, p. 53.
[2] Ibid.

vity of social labour or an increase in the output of use-values.

It is a characteristic fact that in the private sector of the US economy the rate of labour-productivity growth has a tendency to decline: from 1947 to 1965, per-hour output went up by 3.2 per cent, from 1965 to 1973—by 2.3 per cent, and from 1973 to 1978—by only 1 per cent. In 1979 and 1980, per-hour output actually declined in absolute terms, and it took the US economy 5 years—from 1977 to 1982—to attain an increase by only 1 per cent. In 1983, labour productivity was only 3.7 per cent up, and in 1984, only 7 per cent up, on the figure for 1977.[1]

The purposes of capitalist production are also served when an increase in commodity-value reflecting a reduction in social labour productivity goes hand in hand with a growth of capitalist profits, as was the case in the United States in 1979: per-hour output dropped by 1 per cent, while US corporate profits went up by more than 10 per cent (from $229.1 billion in 1978 to $252.7 billion in 1979).[2]

Growing productiveness of labour tends to reduce the value not only of the commodities being produced, but also of those produced earlier, including elements of fixed capital. Consequently, the commodity-unit value is inversely proportional to the social productive power of labour: "The value of commodity ... varies directly as the quantity, and inversely as the productiveness, of the labour incorporated in it."[3]

All of these consequences of the growing productive power of labour—the growing quantity of use-values produced, the invariable total amount of value produced in a given period of time, and the decline in the commodity-unit value—are an expression of the intrinsic nature of the productive power of labour as a function of concrete labour alone, and this is also expressed in the peculiar opposite movement of the commodity's use-value and its value: with the increase in the productiveness of labour, the total mass of use-values produced tends to increase, and the commodity-unit value to decrease: "This antagonistic movement has its origin in the two-fold character of labour."[4]

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[1] *Fortune*, October 8, 1979, p. 84; *Economic Indicators*, March 1983, p. 16; October 1984, p. 16; February 1985, p. 16.

[2] *Economic Indicators*, March 1983, pp. 8, 16.

[3] Karl Marx, *Capital*, Vol. I, p. 48.

[4] Ibid., p. 53.

This movement is due to the fact that the productiveness of labour has a direct effect only on the commodity's use-value, while the source of its value is abstract labour, which is not directly affected by any changes in the productiveness of labour.

An increase in the productiveness of labour could produce a situation in which there is not only an increase in the mass of use-values produced and a decrease in the commodity-unit value, but also a reduction in the total value of the increased mass of use-values: "An increased quantity of material wealth may correspond to a simultaneous fall in the magnitude of its value." [1] That happens when the growth in the productive power of labour is so considerable that it makes it possible simultaneously both to increase the mass of use-values produced, and to reduce the number of persons employed, as in the agriculture of developed capitalist countries.

Changes in the individual productiveness of labour, i.e., the productiveness of labour of individual enterprises and commodity-producers, exert a different influence on the movement of the commodities' use-value and value as compared with that of changes in the social productiveness of labour. To the extent that changes in the individual productiveness of labour do not alter the social conditions of commodity production, and so also the magnitude of the socially necessary labour expended on the production of those commodities, an increase in the individual productiveness of labour results not only in an increase in the mass of use-values produced, but also in their aggregate value, while the commodity-unit value, which is determined by the social conditions of production, remains invariable.

Under different social modes of production, growing productiveness of labour tends to produce different and frequently antithetical socio-economic consequences. Under exploitative formations, an increase in the productiveness of labour results in an absolute and relative step-up of the exploitation of the working masses and a growth of that part of the society which lives off the labour of others. Under socialism, growing productiveness of labour provides the source of rising living standards for the masses of working people, and operates as an important factor in overcoming the essential distinctions between town and country, and between mental and manual labour, in making the society

[1] Karl Marx, *Capital*, Vol. I, p. 53.

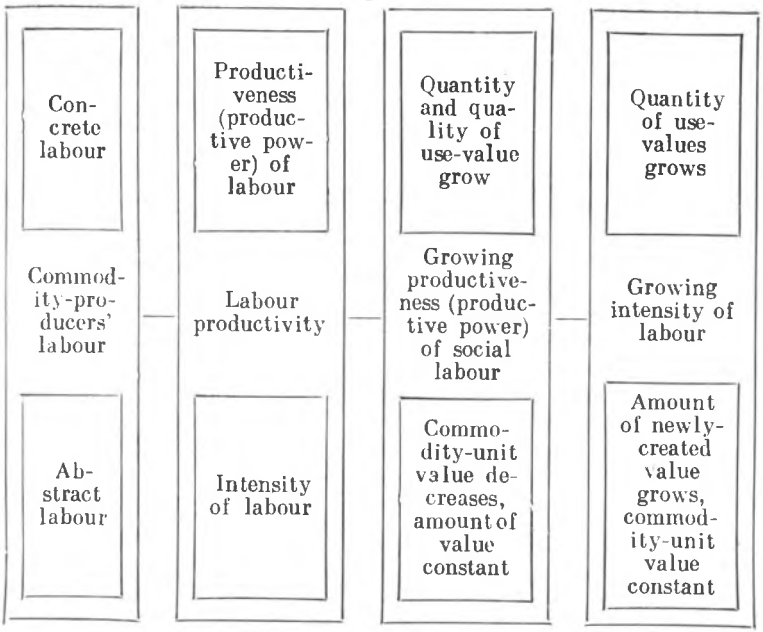
more homogeneous socially, and promoting the individual's harmonious development.

For its part, growing intensity of labour has an influence on the commodity's value and use-value testifying that intensity of labour characterises labour productivity only in terms of the expenditure of abstract labour, which always proceeds in a definite useful form. Indeed, growing intensity of labour, insofar as it signifies an increase in the expenditures of abstract labour in a given time, tends to increase the total volume of value created in a given period of time. Similarly, considering that abstract labour is always organically connected with some definite useful form of its expenditure, i.e., with concrete labour, an increase in the expenditure of abstract labour per unit of time results in a corresponding increase in the output of use-values. But since the increase in the expenditures of abstract labour and the growth in the output of use-values are organically connected with each other, and for that reason effected with the same speed, the commodity-unit value remains unchanged in the process. Consequently, in contrast to the growth of the productiveness of labour, an increase in the intensity of labour does not cause an antagonistic, but a parallel movement of value and use-value: the quantity of use-values produced tends to increase in the same proportion as the volume of produced values.

The different consequences of a growth in the productiveness of labour and in its intensity show that these constituents of labour productivity apply to different aspects of labour: the productiveness of labour is a function of concrete labour, and the intensity of labour, a function of abstract labour. The following diagram illustrates these distinctions.

At the same time, the two-fold structure of labour productivity also implies a *duality of the factors which determine output per unit of time.* On the one hand, these are factors with a direct influence on the efficiency of concrete labour, and on the other, on the intensity of labour. The productiveness, or productive power of labour, i.e., the efficiency of concrete labour, is determined by the nature of the means of labour employed (machinery, equipment, instruments), technological schemes, objects of labour, skill standards and workers' proficiency, and so on. For its part, intensity of labour is determined by the expenditures of abstract labour in a unit of time. Consequently, there are

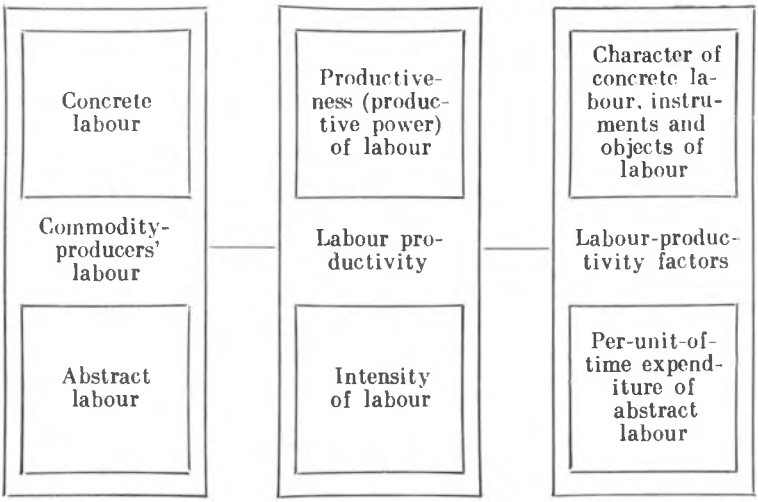
Fig. 14


Concrete labour
Commodity-producers' labour
Abstract labour
Productiveness (productive power) of labour
Labour productivity
Intensity of labour
Quantity and quality of use-value grow
Growing productiveness (productive power) of social labour
Commodity-unit value decreases, amount of value constant
Quantity of use-values grows
Growing intensity of labour
Amount of newly-created value grows, commodity-unit value constant

different factors behind labour productivity: they fall into two large groups, depending on the aspect of labour on which they bear. The factors which directly influence concrete labour determine the productiveness, or productive power of labour, while the factors which influence abstract labour determine the intensity of labour (see Fig. 15).

Marx's dual-nature-of-labour doctrine enabled him to show that these two methods of increasing output were not only opposites but also constituted a unity. Let us recall that the productiveness of labour is a concept which includes socially normal intensity of labour. As the social intensity of labour increases, the social productiveness of labour does likewise, and this at first sight appears to be altogether incomprehensible. How can the rising intensity of social labour, which results from changes in one aspect of labour, namely, abstract labour, increase its productive power, which reflects changes in concrete labour? This can probably occur in two ways, which also reflect the dual nature of labour and which produce an increase in the productive power of social labour differing in character.

Fig. 15



First, a higher average intensity of labour could induce changes in the concrete, purposeful form of labour that would help to eliminate or reduce the pressure of the growing intensity of labour with the same (or growing) output. In that case, the growing expenditures of abstract labour are transformed into a new concrete-labour quality. To the extent of that transformation, the productive power of social labour is raised with its inherent consequences: a growing mass of use-values produced in a unit of time, a reduction in the commodity-unit value, and a real reduction in the outlays of social labour per commodity-unit.

Second, the increased average social intensity of labour may not cause the above-mentioned progressive changes in the quality of concrete labour, but may still enter as an increased magnitude into the content of the productive power of labour. In that case, the social productiveness of labour also tends to increase, though not in terms of actual, but only of imaginary growth. Indeed, with the increase in the expenditure of labour there is also a growth, in the corresponding proportions, in the quantity of use-values produced in a given time. But the value of each unit will diminish, not because the actual quantity of labour expended per commodity-unit has been reduced, but because the immanent measure of value has changed. With the

growth of the social intensity of labour, the more intense labour operates as the socially normal measure of value, so that less labour-time is expended per product-unit (since the output of commodities per unit of time increases), but as much mental and physical labour (since the increased output is achieved through a greater expenditure of human physical and mental powers in a given time). From the standpoint of the law of value, there is here an increase in the productive power of labour, because the commodity-unit value has fallen in consequence of the changed immanent measure of value. However, from the society's standpoint that is an imaginary increase, because the expenditures of human labour per commodity-unit have not diminished.

We find, therefore, that the dual nature of the commodity-producers' labour predetermines the dual structure of labour productivity, the duality of the factors and ways in which it is increased, and the two-fold character of the results of growing labour productivity depending on which of its constituents has caused that growth: the productive power or the intensity of labour. It also turns out that the potentialities for boosting labour productivity are likewise two-fold: on the one hand, when caused by ever greater intensity of labour, they are limited for social and physical reasons, and on the other, they are boundless when caused by growing productiveness of labour, ever higher efficiency of concrete labour, and realisation of the advances of the scientific and technical revolution.

Chapter Three

MARX'S DISCOVERY OF THE ECONOMIC LAW OF THE MOVEMENT OF CAPITALISM AND THE DUAL NATURE OF LABOUR

1. The Significance of the Dual-Nature-of-Labour Doctrine for a Scientific Approach to the Problem of the Origination of Surplus-Value

A scientific formulation and solution of the problem of the origination of surplus-value require a clear-cut distinction between the value and use-value of commodities, and so also between labour as the source of value, and labour as the source of use-value. That alone makes it possible to discover both the formal and the substantive distinctions between simple commodity circulation and the circulation of capital; the fact that the content of capital is determined not by the qualitative distinctions between the beginning and end of the circuit, as is the case under simple commodity circulation, i.e., the exchange of various use-values ($C_1—M—C_2$), but only by their quantitative difference ($M—C—M'$), which is the difference between the initially expended value and the value received as a result of the circuit.

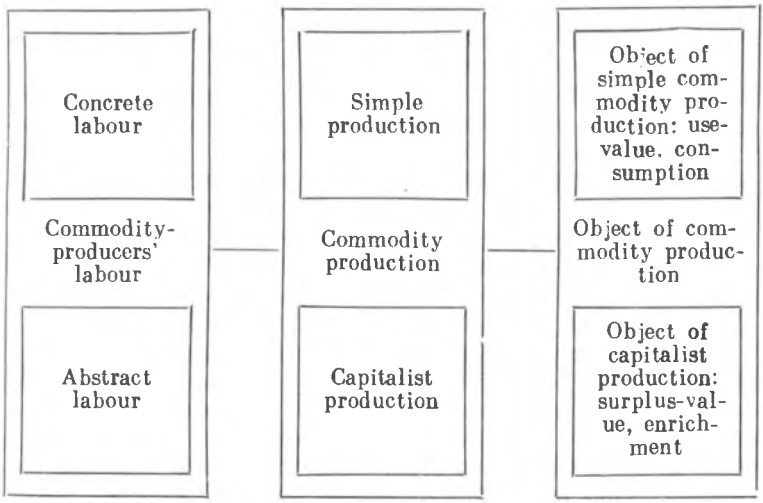
It was, therefore, Marx's dual-nature-of-labour doctrine that first enabled him to draw a clear-cut distinction between simple commodity production and capitalist commodity production, something that the classics of bourgeois political economy had been unable to do, because they kept confusing the two phenomena. So it was Marx who first gave a clear definition of the subject-matter of analysis: capital, the capitalist mode of production, in contrast to simple commodity production.

He showed that dispite the seeming community of simple commodity circulation and the circulation of capital, between which there appeared to be no more than a formal distinction consisting simply in a different sequence of the acts of purchase and sale (simple commodity circulation starts with the sale of a commodity, i.e., $C_1—M$, and ends with

the purchase of another, i.e., $M—C_2$, the circulation of capital starts with a purchase, i.e., $M—C$, and ends with a sale, i.e., $C—M'$), there was an essential difference between these two forms of commodity and money movement signifying the distinction between two economic epochs: simple commodity production, and capitalist production.

That makes it clear that the distinction between simple commodity circulation and the circulation of commodities and money as capital springs from the distinction between the commodity's use-value and its value. Indeed, whereas simple commodity circulation has for its purpose direct consumption, and is for that reason an exchange of one use-value for another through the medium of the money-form of value, the circulation of capital has for its purpose an expansion of the initially advanced capital value and is meaningful only to the extent to which the initially advanced value is increased in the circuit of capital, i.e., it is a movement of value through the medium of use-value. [1]

Fig. 16



Marx's dual-nature-of-labour doctrine, therefore, enabled him to work out the general formula of capital epitomising the properties of all the concrete forms of capital, such as industrial, merchant's and loan capital ($M—C—M'$).

[1] See Karl Marx, *Capital*, Vol. I, pp. 146-47.

Marx begins his analysis of capital with a description of the outward form of its movement, but he considers the outward form in a generalised way, as having absorbed all the general properties of capital, and abstracted from the individual properties of its various forms.

Such an approach led Marx to the initial definitions of capital and surplus-value, which do not yet show the in-depth substance of these phenomena, but present them only from the standpoint of the outward manifestations of their substance. Thus, from that standpoint capital is defined as self-expanding value. Marx says: "Value therefore now becomes value in process, money in process, and, as such, capital." [1] The goal of capital is, therefore, neither use-value, nor a one-time profit, but absolute enrichment, a passionate chase after value, so that the capitalist's sole motive is the "appropriation of ever more and more wealth in the abstract", which is why use-values must "never be looked upon as the real aim of the capitalist". [2]

US corporate profits give some idea of the "self-expansion of value" and the growing fortunes of the bourgeoisie resulting from the exploitation of the working class, although commercial secrets and the practice of tax-avoidance do much to understate the actual size of capitalist profits: in 1959 they totalled $52.1 billion, in 1969—$84.2 billion, in 1974—$127.6 billion, in 1977—$171.7 billion, in 1978—$206 billion, and in 1979—$252.7 billion. In the twenty years from 1959 to 1979, US corporate profits multiplied nearly five-fold. They were somewhat lower from 1980 to 1983 owing to the deepening crisis processes in the US economy, and in 1980 came to $242.4 billion, in 1981—$232.1 billion, in 1982—$175.6 billion, and in 1983—$203.2 billion. Already in 1984, however, the profits rose to $237.5 billion. [3]

Marx's general formula of capital led him to the initial formulation of surplus-value as an excess, an increment of value over the advanced capital value. He says: "The exact form of this process is therefore $M—C—M'$, where $M' = M + \Delta M$ = the original sum advanced, plus an increment. This increment or excess over the original value I call 'surplus-value'." [4]

[1] Karl Marx, *Capital*, Vol. I, p. 153.

[2] Ibid., p. 151.

[3] See *Federal Reserve Bulletin* for the corresponding years; *Economic Indicators*, March 1983, p. 8; October 1984, p. 8; February 1985, p. 8.

[4] Karl Marx, *Capital*, Vol. I, p. 149.

In seeking to discover how surplus-value originates, and whether it does not originate in the circulation of commodities, Marx returns to his analysis of simple commodity circulation. Characteristically, he analyses *simple commodity circulation as a two-fold phenomenon*, as an exchange of equal values taking the form of an exchange of qualitatively different use-values. He reaches the conclusion that "so far as regards use-values, it is clear that both parties may gain some advantage" in such an exchange, if only because they give away use-values which they do not need and obtain in exchange commodities which they need.[1] Things are not quite the same when this exchange is considered in terms of value, for then the commodity exchange comes down to a commodity metamorphosis, i.e., a simple change in the commodity form, which does not contain any change in the magnitude of value. Marx explains: "The same exchange-value, i.e., the same quantity of incorporated social labour, remains throughout in the hands of the owner of the commodity, first in the shape of his own commodity, then in the form of money for which he exchanged it, and lastly, in the shape of the commodity he buys with that money. This change of form does not imply a change in the magnitude of the value."[2] From the standpoint of value, commodity exchange considered in its pure form amounts to an exchange of equal values, i.e., equivalents.

However, economic processes never run in a pure form. Nevertheless, even if one assumes that non-equivalents are exchanged, commodity exchange as such does not explain the origination of surplus-value. Such an exchange merely alters the distribution of already created values, but their total amount among the capitalists as a class does not increase.

Marx says in conclusion: "Hence, we see that behind all attempts to represent the circulation of commodities as a source of surplus-value, there lurks ... a mixing up of use-value and exchange-value",[3] and so also, of the processes of concrete and abstract labour, a confusion which is the hallmark of unscientific political economy.[4]

Having analysed capitalist commodity circulation in the light of the dual nature of commodities and of the labour

[1] Ibid., p. 155.
[2] Ibid., p. 156.
[3] Ibid., p. 157.
[4] See Chapter Eight of this book.

going to create them, Marx reaches the conclusion that "circulation, or the exchange of commodities, begets no value".[1] But surplus-value cannot originate outside the process of circulation either, because "apart from circulation, the commodity owner is in relation only with his own commodity".[2]

That reveals an important contradiction of the general formula of capital: surplus-value cannot originate in the process of circulation, because there is an exchange of equal quantities of the abstract labour incorporated in commodities, but it cannot originate outside of circulation either, because commodity circulation, a change in the corporeal forms of capital, is a necessary condition of its self-expansion. Marx says: "We have, therefore, got a double result."[3]

We find, therefore, that Marx's doctrine of the dual nature of labour enabled him to establish the contradiction contained in the general formula of capital between the origination of surplus-value and the equivalent exchange of commodities stemming from the law of value, and demonstrably ruling out the possibility of the origination of surplus-value.

Having discovered the contradiction between the law of value and the formation of surplus-value in the general formula of capital, Marx considered the problem of the origination of surplus-value from the standpoint of the law of value. Indeed, if the law of value operates and there is an exchange of equivalents, the question is how the increment to the originally advanced value—surplus-value—takes shape. After all, the peculiarity of capital consists precisely in this self-expansion of value.

Moreover, the dual-nature-of-labour approach makes it possible not only to correctly formulate but also to find the way of solving the problem of the origination of surplus-value. When considering the general formula of capital ($M—C—M'$) Marx discovered that surplus-value could not originate in the initial money (M), because it is merely an expression of the commodity-value representing the materialisation of abstract labour. The expansion of value is a *fait accompli* in the second money (M'). Nor can the self-expansion occur in the process of exchange, because it is an exchange of equal quantities of abstract labour. Consequently, the dual-nature-of-labour doctrine made it possible substantially to narrow down the possible lines of quest in

[1] Karl Marx, *Capital*, Vol. I, p. 161.
[2] Ibid., p. 162.
[3] Ibid., p. 163.

solving the problem of how surplus-value originates, to drop the lines of inquiry which obviously led nowhere, and to map out the only sure way.

As a result, Marx reached the conclusion that the source of surplus-values lies with the commodity (C), which is acquired in the initial act ($M—C$) of the general formula of capital ($M—C—M'$).

There again we come up against the problem of the dual nature of labour, because that commodity, like all other commodities, has a dual nature. Which aspect of the commodity is one then to scrutinise for the source from which surpuls-value originates?

The expansion of value cannot take place in the value of the acquired commodity, because in the process of commodity circulation there is an exchange of equivalents, and the commodities are paid for in accordance with their value.

There remains the only possibility of explaining in scientific terms the origination of surplus-value, namely, in the changes of the given commodity's use-value, i.e., in its consumption. Marx says: "In order to be able to extract value from the consumption of a commodity, our friend, Moneybags, must be so lucky as to find, within the sphere of circulation, in the market, a commodity, whose use-value possesses the peculiar property of being a source of value, whose actual consumption, therefore, is itself an embodiment of labour, and, consequently, a creation of value. The possessor of money does find on the market such a special commodity in capacity for labour or labour-power." [1]

The dual-nature-of-labour doctrine was, therefore, the lodestar which led to the right approach in solving the most intractable problem of the source of surplus-value.

2. The Dual Nature of Labour-Power as a Commodity, and the Duality of the Factors Determining the Magnitude and Dynamics of Its Value

Having established that labour as the process of the workers' production activity cannot be a commodity, and that it is the worker's capacity for labour, i.e., labour-power, that is the commodity, Marx goes on to examine the peculiarities both of the value and of the use-value of labour-power.

[1] Karl Marx, *Capital*, Vol. I, p. 164.

Labour-power is a specific, indeed, living commodity incorporated in a living and developing human individual. What is more, it is a commodity that is sold only by one class of the society—the working class—and bought also by one specific social class—the capitalist class.

The pronounced tendency towards an increase both in the numbers of wage-workers and of their share within the economically active population of the capitalist countries indicates the general line of development of the labour market, and it is a characteristic fact that whereas, from 1900 to 1975, the whole economically active population of the developed capitalist countries increased by 95 per cent (from 154.4 million to 300 million), the number of wage-workers increased by more than 200 per cent (from 82 million to 254 million), and their share of the economically active population went up from 53 per cent to 84 per cent. The trend is also borne out by later data: the share of wage-workers in the economically active population of the United States went up from 90.2 per cent in 1975 to 90.4 per cent in 1978; in Great Britain—from 91.2 per cent to 91.3 per cent; in Japan—from 68.4 per cent to 69.5 per cent, and in the FRG—from 86.2 per cent to 87.0 per cent. [1]

As a commodity, labour-power has important peculiarities both in terms of use-value and of value.

In the most general terms, the use-value of labour-power as a commodity consists in the worker's capacity for labour

Table 1

Dynamics of Wage-Labour and Its Share in Economically Active Population of Developed Capitalist Countries

	1900	1950	1960	1965	1970	1973	1975
Wage-workers, mln . . .	82	163	190	210	225	235	254
Share of wage-workers in economically active population, per cent . .	53	69	73	76	78	80	84

Sources: Mirovaya ekonomika i mezhdunarodniye otnosheniya, No. 7, 1970, pp. 152, 154; No. 2, 1975, p. 147; *Economic Encyclopaedia*, Vol. 3, Soviet Encyclopaedia, Moscow, 1979, p. 11 (in Russian).

[1] See *Yearbook of Labour Statistics*, Geneva, 1975-1978; *Main Economic Indicators*, OECD, Paris, 1975-1979.

However, the worker's labour is known to be two-fold: on the one hand, it is a useful form of labour, i.e., concrete labour, and on the other, it is labour in general, i.e., abstract labour. Which aspect of labour then is the basis for the use-value of the commodity labour-power under capitalism? Is it the worker's concrete labour or his abstract labour that has specific utility for capital?

Formulated in that way, the question makes it clear that for capital, the purpose of whose vital activity is the production and appropriation of surplus-value and so constant enrichment, the use-value of labour-power comes down to its capacity to produce surplus-value, and so is determined above all by the abstract character of its labour. Like the use-value of all the other commodities, the use-value of labour-power is created by the useful form of labour expended on its reproduction, i.e., it is the function of concrete labour. That is why in our Fig. 17, the use-value of labour-power created by the concrete labour which reproduces the labour-power (the labour of teachers, medical workers, instructors in occupational training, of the worker himself, and so on) is presented among the processes and phenomena of concrete labour. However, the specific feature of the use-value of the labour-power created by the concrete labour expended on its reproduction consists in the capacity of labour-power to create a value that is in excess of the value of the labour-power itself, i.e., surplus-value, which means that it springs directly, not from the wage-worker's concrete labour, but from his abstract labour.

Marx says that for capital, "the use-value of labour-power is precisely the excess of the quantity of labour which it performs over the quantity of labour which is materialised in the labour-power itself and hence is required to reproduce it". [1]

Hence, it is not the useful form of labour of the given labour-power that imparts to it, as a commodity, the specific utility which it has for capital, but its capacity for surplus abstract labour: "What forms its *specific use-value* for capital is its character as the element which creates exchange-value, abstract labour." [2]

Abstract labour is, of course, always expended in a definite useful form, and this also applies to surplus abstract

[1] Karl Marx, *Theories of Surplus-Value*, Part I, p. 400.
[2] Ibid.

labour, but capital takes, in principle, an indifferent view of that useful form, because for it the utility of labour-power consists, not in the useful form of the labour it performs or the capacity to satisfy some of society's varied requirements, but in the capacity of labour-power to produce, by its abstract labour, a value which is greater than the value of the labour-power itself. Marx says: "Naturally, it supplies this quantity of labour *in the determinate form* inherent in it as labour which has a particular utility, such as spinning labour, weaving labour, etc. But this concrete character ... is not its *specific use-value* for capital." [1]

We find, therefore, that the use-value of labour-power is unique: labour-power is the only type of commodity whose use-value consists in its capacity to create surplus-value for the capitalist, i.e., in surplus abstract labour.

An analysis of the specific features of the use-value of labour-power helps to shed a light on the epistemological roots and theoretical flimsiness of the bourgeois view of labour as a commodity, a view that is patently apologetic. Indeed, if it is the worker's labour that is the object of purchase and sale in the relations between the worker and the capitalist, labour, like any other commodity, would have to be exchanged for its value-equivalent, in accordance with the law of value. Bourgeois economists insist that when the worker sells his labour he obtains its full equivalent and, for that reason, the exploitation of the working class is either impossible or accidental, resulting from a violation of the law of value.

One will easily see that the view of labour as a commodity is based on the identification of the use-value and value of the commodity, in this case, the commodity labour-power, an approach that is characteristic of bourgeois political economy, vulgar political economy in the first place.

As we have seen, the act of exchange results in the purchaser obtaining the commodity's use-value, while paying its value to the seller. If the use-value of labour-power consists in its capacity for labour (surplus abstract labour) this means that it is precisely labour that the capitalist buys *as the use-value* of the commodity he acquires, but that he does not purchase labour directly as a commodity, but only indirectly, through the commodity labour-power, and, as in any other commodity transaction, pays not for

[1] Karl Marx, *Theories of Surplus-Value*, Part I, p. 400.

the commodity's use-value, i.e., in this case, not for labour, but for the value of labour-power. Marx says that "the capitalist buys labour (in the actual result, even though mediated through exchange not with labour directly, but with labour-power)".[1] For its part, bourgeois political economy seeks to create the impression that the capitalist pays for the use-value of the commodity he buys, i.e., labour, and not the value of that commodity, which is the value of labour-power.

Let us consider the problem of what is purchased and sold in the relations of the capitalist and the worker from another angle.

If labour is a commodity, what then is that commodity's use-value? How is its value determined and by what?

Let us bear in mind that the capitalists purchase "labour" in order to apply it in production with the aim of extracting surplus-value. Consequently, the utility of the commodity labour-power, i.e., its use-value for capital is labour, or to be more precise, surplus-labour.

According to the labour theory of value, the value of all the commodities is determined by the labour expended on their production. On that assumption, labour is also the value of "labour".

With such an approach, the value and the use-value of this specific commodity blend together, and the problem defies solution. Even the best mind of the classical school, David Ricardo, was unable, because of his bourgeois limitations, to discover the actual purchase and sale of labour-power beneath the outward form of the purchase and sale of "labour".

It is not only the use-value of labour-power, but also its value that have specific properties differing from those of other commodities, although, like any commodity-value, the value of labour-power is at root the socially necessary labour expended on the reproduction of that specific commodity,[2] i.e., it is a function of abstract labour.

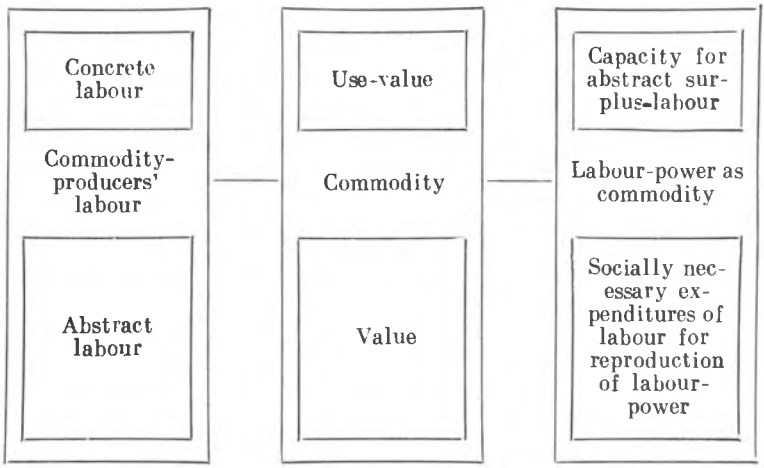
Consequently, *labour-power as a commodity appears as a two-fold phenomenon.*

The distinctive features of the value and of the use-value of labour-power alike spring from the fact that this specific commodity is embodied in a living individual whose labour potentialities and requirements are in a state of constant

[1] Ibid., p. 87.
[2] See Karl Marx, *Capital*, Vol. I, p. 167.

development. Marx says: "Labour-power exists only as a capacity, or power of the living individuals." [1]

Fig. 17



It follows that the value of labour-power is influenced by a factor which has no influence on the value of ordinary commodities, namely, the worker's socially necessary requirements. [2] That is why Marx says that, in contradistinction to other commodities, "there enters into the determination of the value of labour-power a historical and moral element". [3]

When considering the question of the value of the commodity labour-power, it is important to bear in mind that the matter turns not on the value of all the labour potentialities of which the worker is in possession, but only on the value of that part of them which has assumed a commodity form and which the worker has sold to the capitalist. Consequently, the value of labour-power is the socially necessary labour that has to be expended on the reproduction of the labour potentialities sold by the worker, and not of the whole of his capacity for labour. This involves not only the production, but also the reproduction of these potentialities, which implies the in-

[1] Karl Marx, *Capital*, Vol. I, p. 167.
[2] See ibid., p. 168.
[3] Ibid.

clusion in the value of labour-power of the expenditures of social labour on the reproduction of the worker's family.

At the same time, the value of labour-power amounts to the expenditures of labour which are adequate to the normal reproduction of the labour potentialities sold by the worker, which means that the value of the physically indispensable means of subsistence is smaller than the value of labour-power: "The minimum limit of the value of labour-power is determined by the value of the commodities, without the daily supply of which the labourer cannot renew his vital energy, consequently by the value of those means of subsistence that are physically indispensable. If the price of labour-power fall to this minimum, it falls below its value." [1] Marx goes on to explain that commodity-value is determined by the labour-time necessary to produce a commodity of normal quality, so that payment for labour-power on the level of the physically indispensable means of subsistence implies reproduction of that commodity "in a crippled state".

From this it follows that the attempt to identify the value of labour-power and physically indispensable means of subsistence [2] is nothing but a distortion of Marx's economic theory, despite the seemingly "radical" character of such an approach. It is, in effect, a negation of the law of value as applied to labour-power and hampers the economic struggle of the working class, which is a key factor in the consolidation and development of the working class as the condition for the ripening of the subjective prerequisites of socialist revolution.

Marx's view of the value of labour-power as the value of the means of subsistence necessary for the reproduction of this specific commodity helps to approach the question of the factors determining its magnitude and dynamics.

Analysis shows that the dual nature of labour-power as a commodity, the dual nature of the commodity and the labour creating the commodity determine the *dual nature of the factors behind the magnitude and the dynamics of the value of labour-power.*

If "the value of labour-power resolves itself into the value of a definite quantity of the means of subsistence", [3] it is naturally determined by two factors.

[1] Karl Marx, *Capital*, Vol. I, p. 169.

[2] See Ernest Mandel, *An Introduction to Marxist Economic Theory*, Young Socialist Alliance, New York, 1967, p. 24.

[3] Karl Marx, *Capital*, Vol. I, p. 169.

First, it is determined by the volume of the means of subsistence, i.e., the volume of the worker's socially necessary requirements. Given an invariable value of the commodities constituting the worker's necessary means of subsistence, the value of labour-power will be directly proportional to the quantity of these means of subsistence, i.e., to the mass of use-values constituting the commodity-equivalent of the value of labour-power, which means that, given a constant value of the articles of consumption, the value of labour-power will grow together with the growth of the worker's socially necessary requirements. The pace at which the worker's requirements have been growing will be seen, in particular, from the increasing number of elements making up the standard family-budget basket used to compute the cost-of-living index. In 1915, that included the prices of 145 goods and services, in 1945—170, and in 1974—400.[1]

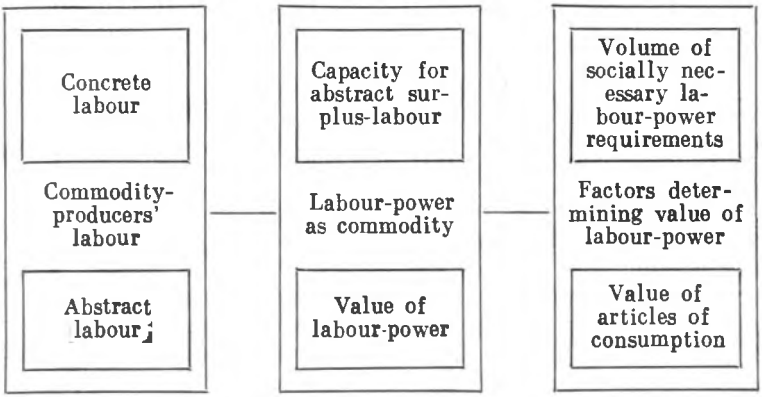
Second, the value of labour-power is determined by the value of the commodities constituting the commodity-equivalent of the value of labour-power, i.e., by the level of the social productive power of labour producing these commodities, which means that as the social productive power of labour goes up, the value of the articles of consumption will go down, and, consequently, the value of labour-power will also be reduced, provided the amount of use-values constituting the commodity-equivalent of the value of labour-power remains constant.

The value of labour-power is, therefore, determined by the interaction of two factors: first, the volume of the socially necessary requirements of labour-power, and second, the value of the commodities of worker's consumption determined by the productive power of social labour. Let us note that while the first factor acts to increase the value of labour-power, the second acts to reduce it.

From the proposition concerning the two factors which directly determine the value of labour-power follows the important conclusion about the line of its dynamics: the value of labour-power will grow only if the volume of the satisfied socially necessary requirements of workers grows faster than the productive power of labour, or—taking into account how this process appears on the surface of phenomena—if the workers' real wages grow faster than their

[1] *Monthly Labour Review*, Vol. 94, No. 7, 1974, pp. 5, 7, 10.

Fig. 18



labour productivity. The facts of capitalist reality show very well that it is the exception rather than the rule for real wages to outpace the growth of labour productivity.

It follows, therefore, that the main tendency of the value of labour-power is to decline. But that leaves unanswered the question of the extent to which the rise in real and nominal wages appearing as the converted form of the price and value of labour-power corresponds to that decline in the value of labour-power.

3. The Two-Fold Structure of the Working-Day under Capitalism and Capitalist Exploitation

Only a part of the working-day is necessary for the reproduction of the value-equivalent of labour-power (say, two hours of an eight-hour working-day). For that reason, the working-day under capitalism falls into two parts: the necessary labour-time and the surplus labour-time. The necessary labour-time is the time socially necessary for the production and reproduction of labour-power of a normal quality. In the course of the necessary labour-time is produced the necessary product, i.e., the amount of material and spiritual values adequate to the normal reproduction of labour-power as a commodity. Necessary labour-time is only a part of the working-day, whose other part consists of surplus labour-time, in the course of which surplus-value is created and is gratuitously appropriated by the capitalists

(in our example, the surplus labour-time is six hours). On the whole, the structure of the working-day, with the above-mentioned assumptions, will appear as follows:

ab is necessary labour-time, equal to 2 hours,
bc is surplus labour-time, equal to 6 hours.

The determination of necessary labour-time under capitalism is closely connected with the clarification of the mechanism and the socio-economic substance of capitalist exploitation. Under capitalism, labour-power, the society's chief productive force, acquires a commodity form and becomes the specific commodity labour-power, because the workers are separated from the means of subsistence and the means of production, which are monopolised by the bourgeois class, i.e., because commodity relations predominate. In these conditions, the difference between necessary labour-time and the whole working-day, i.e., surplus labour-time, is an expression of the antagonism between labour and capital, and a reflection of the dual nature of labour-power as a commodity, being ultimately rooted in the dual nature of the commodity-producers' labour.

It is impossible to expose the substance of capitalist exploitation without drawing a clear line between the use-value of labour-power and the value of labour-power, i.e., without an analysis of this question in the light of the dual nature of labour.

The difference between the value of labour-power and the whole value created by the worker is the surplus-value, which the bourgeoisie gratuitously appropriates—and that is the *substance of the capitalist exploitation of the working class.*

This discovery of Marx's laid bare the deepest roots of the class antagonism in the capitalist society and so indicated the objective necessity for struggle by the working class against the system of capitalist exploitation, and for an improvement of its economic and political condition. Marx's analysis of the relations of exploitation of the working class by the bourgeoisie is fully borne out by the data on the strike movement in the capitalist countries (see Table 2), in this case clearly testifying to the mounting struggle of the working class of the United States against capitalist exploitation.

Table 2

The Strike Movement in the United States (1930-1980)

	Strikes, total	Number of strikers, thous	Number of strike-man-days, mln
1930	637	183	3.3
1940	2,508	577	6.7
1950	4,843	2,410	38.8
1960	3,333	1,320	19.1
1970	5,716	3,305	66.4
1975	5,031	1,746	31.2
1976	5,652	2,420	37.9
1977	5,600	2,040	36.0
1978	4,300	1,600	39.0
1979	4,827	1,727	34.8
1980	3,878	1,366	33.4

Sources: Handbook of Labour Statistics, Washington, 1967, p. 257; *Statistical Abstract of the United States 1976*, GPO, Washington, 1976, p. 386; 1977, p. 420; *Monthly Labour Review*, No. 12, 1977, p. 117; No. 5, 1978, p. 115; *Yearbook of Labour Statistics*. 1978; *The Handbook of Basic Economic Statistics*, March 1979; *World Economics and International Relations. The Economic State of the Capitalist and Developing Countries*, Supplement to *Mirovaya ekonomika i mezhdunarodniye otnosheniya*, No. 8, 1983, p. 95.

Marx discovered that there was a substantial difference between the value newly created by the worker in the process of producing a commodity, and the value of the labour-power itself. While the creation of the new value is an expression of the specific use-value of the labour-power, the formation of the value of the labour-power is a totally different process connected with the other aspect of labour-power, namely, its value. While the value of the labour-power takes shape before the process of production in which the worker is involved, the value newly created by the worker emerges in the process of production itself. Whereas the value of the labour-power is embodied in the worker as a living individual, the new value is incorporated in the goods and services he produces.

Marx was able to explain the origination of surplus-value from the standpoint of the law of value, by drawing a distinction between the use-value of labour-power and the value of labour-power. The use-value of labour-power has

the capacity to act as the source of value that is larger than the value of the labour-power itself. Consequently, the worker not only reproduces the value-equivalent of his labour-power, but also produces an excess over it, which the capitalist in fact appropriates without any equivalent.

Numerous factors have a direct influence on the magnitude of the value of labour-power, and so on the necessary labour-time: the intensity of labour, the complexity of labour, the average duration of the working-day, the level of workers' skills, the share of child and female labour in the structure of the wage-workforce, the workers' socially necessary requirements, the productive power of their labour, and so on. However, when necessary labour-time is considered in application to the labour-power of a definite quality, say, male labour-power, we find that all the factors exerting an influence on it come under two definite heads: 1) the volume of the workers' socially necessary requirements; and 2) the value of the articles of consumption included in the commodity-equivalent of labour-power.

This dual character of the factors which determine necessary labour-time springs from the dual nature of the specific commodity labour-power, and also from the commodity-equivalent of labour-power, which means ultimately from the dual nature of the commodity-producers' labour. Whereas the volume of the workers' socially necessary requirements determines the amount of use-value that is socially necessary for the normal reproduction of labour-power, it is the social productive power of labour that determines the value of the given amount of articles of consumption, and thereby also the necessary labour-time. Consequently, these two determining factors have an opposite effect on necessary labour-time: all other conditions being constant, a growth in the workers' socially normal requirements tends to increase the necessary labour-time, while a rise in the social productive power of labour tends to decrease it. The actual change in the necessary labour-time depends on the balance of influence between these two factors.

Insofar as the necessary labour-time, and so the value of labour-power, is influenced by the two above-mentioned basic factors, while the value of articles of consumption is influenced by only one of these, namely, the productive power of social labour, so with a rise in the productive power of social labour the necessary labour-time tends to de-

crease more slowly than does the value of articles of consumption. Let us note that in the process, the growth of the workers' socially necessary requirements operates as a factor slowing down the reduction in necessary labour-time, a fact which tends to increase the relative expression of the shrinking necessary labour-time, and consequently, also of the value of labour-power, in terms of the commodities of workers' consumption, so creating the possibility of a rise in the workers' real wages while the necessary labour-time is reduced. To what extent this potentiality is transformed into reality and is used by the workers in their interests depends on the vigour of their struggle against the bourgeoisie for higher real wages, and also on the tendency towards a decline in workers' wages which is inherent in the capitalist economy. At the same time, the confinement of the workers' personal consumption under capitalism to the limits of necessary labour-time required for the reproduction of the labour-power sold to the capitalist, i.e., of only that part of the workers' labour potentialities which has acquired a commodity form and has been exchanged for money, acts as a socio-economic brake on the development of labour-power, the society's chief productive force.

Under capitalism, surplus labour-time does not appear on the surface of phenomena in its pure form; on the contrary, the whole working-day outwardly appears to consist of necessary labour-time, a peculiarity which springs from the commodity character of labour-power as a consequence of the characteristically capitalist separation of the actual producers from the means of production under the sway of commodity relations. The purchase and sale of labour-power, the fetishist forms characteristic of the wages of wage-workers, and the other forms which camouflage the exploitative substance of capital create the illusion that the economic relations between the workers and the capitalists are equivalent, i.e., that there is no surplus labour-time. However, in terms of their end-result, these relations are non-equivalent. It is these contradictions between the outward form and the actual content of the economic relations between labour and capital that Marx regarded as "apparent contradictions—in their result real contradictions".[1]

The two-fold structure of the working-day under capital-

[1] Karl Marx, *Theories of Surplus-Value*, Part I, p. 88.

ism and its division into necessary and surplus labour-time are, therefore, an effect of the dual structure of labour-power as a commodity and of the distinction between its use-value and value. *Ultimately, this dichotomy springs from the dual nature of the commodity-producers' labour under capitalism.* In these conditions, surplus labour-time is the difference between the entire duration of the functioning of the *use-value* of labour-power in capitalist production, and that part of the working-day in the course of which the *value* of the labour-power is reproduced.

Since capitalist production is designed to maximise profits, a purpose which objectively springs from the monopolisation of the society's means of production by a single class —the bourgeoisie—the dominance of commodity relations necessarily determines the maximisation of surplus labour-time as the only source of surplus-value.

Surplus labour-time undergoes a direct change under the impact of two factors: the magnitude of the necessary labour-time, on the one hand, and the total duration of the working-day and intensity of labour, on the other. Given a constant working-day, surplus labour-time tends to change in inverse proportion to the necessary labour-time. However, changes in surplus labour-time do not have an immediate effect on the magnitude of necessary labour-time, if they do nothing to change the social conditions for the reproduction of labour-power. Given a constant necessary labour-time, surplus labour-time tends to change in direct proportion to the duration of the working-day. That being so, there are two methods for maximising surplus labour-time under capitalism.

First, surplus labour-time tends to increase under the impact of a growing productive power of social labour, i.e., rising efficiency of concrete labour, since the latter tends to reduce the socially necessary labour-time required for the reproduction of the value-equivalent of labour-power. In this case, surplus labour-time tends to increase both in absolute and in relative terms within the structure of the working-day. That method of maximising surplus labour-time is identical with the production of relative surplus-value. The increase in surplus labour-time through a reduction in necessary labour-time in consequence of the growing efficiency of concrete labour is a specifically capitalist expression of the growing productive power of social labour, so that any increase in the productive power of social la-

bour under capitalism intrinsically signifies the growing exploitation of the working class by the bourgeoisie.

Second, surplus labour-time is increased through larger expenditures of abstract labour in the course of the working-day as a result of growing intensity of labour or duration of the working-day, or through a simultaneous increase of the one and the other. That method of maximising surplus labour-time is identical with the production of absolute surplus-value.

The duality of the methods of maximising surplus labour-time is a reflection of the duality of capitalist production as a unity of the simple process of labour and the process of increasing value (see Paragraph 4, Chapter Three), and *ultimately of the dual nature of the commodity-producers' labour under capitalism.*

The dynamics of surplus labour-time computed by various methods reveals the main tendency towards an absolute and relative increase of surplus labour-time (within the structure of the working-day). The increase in surplus labour-time, testifying to the growing exploitation of the working class, is vividly expressed in the growing rate of surplus-value, calculated as the ratio of surplus-value to the value of labour-power expressed as a percentage. Professor S. L. Vygodsky has calculated that in the US manufacturing industry, the rate of surplus-value has grown as follows.

Computation of the rate of surplus-value based on an anal-

Table 3

Rate of Surplus-Value in US Manufacturing Industry (1849-1969)

	Value added by manufacturing $ mln	Wages $ mln	Surplus-value $ mln	Rate of surplus-value (4 : 3×100%)
1849	464	237	227	96
1899	4,647	1,893	2,754	145
1929	30,591	9,470	21,121	223
1947	74,290	22,683	51,607	227
1969	305,908	59,732	246,176	412

Source: S. L. Vygodsky, *Contemporary Capitalism (Essay in Theoretical Analysis)*, Mysl Publishers, Moscow, 1975, p. 187 (in Russian).

ysis of the relation of the value added by manufacturing and workers' wages, fully corresponds with the results of analyses by progressive US economists based on other methods, such as the relation of real wage indexes and output per worker characterising what is known as the relative condition of workers in US industry. Such calculations show that from a base of 100 in 1899, the relation fell to 53 in 1971,[1] i.e., a reduction of nearly one-half. Mean-

Table 4

Rate of Surplus-Value in US Manufacturing Industry* (1967-1981)

	Value added by manufacturing $ bln	Wages $ bln	Surplus-value $ bln	Rate of surplus-value (4 : 3×100%)
1967	262	81	205.3	362
1970	300	92	235.6	365
1971	314	93	248.9	382
1972	354	106	279.8	377
1973	404	118	321.4	389
1974	452	125	364.5	416
1975	442	122	356.6	417
1976	511	138	414.4	428
1977	585	157	475.1	432
1978	657	176	533.8	433
1979	748	193	612.9	453
1980	773	198	634.9	460
1981	838	212	689.6	464

Source: Statistical Abstract of the United States (GPO, Washington) for 1975-1984.

* Non-returnable taxes taken at 30 per cent of wages.

while, the share of wages in the value added by manufacturing, which in 1899 stood at 40.8 per cent (with the rate of surplus-value at 145 per cent), dropped to 20.8 per cent in 1971 (with the rate of surplus-value at 382 per cent), that is, also roughly by one-half.

For all the differences in these methods and the inaccu-

[1] According to data in *Economic Notes* for the corresponding years.

racy of official bourgeois statistics, these computations testify to a clear tendency for the surplus labour-time to increase. With an 8-hour working-day, a rate of surplus-value of 300 per cent means that it takes only 2 hours to reproduce the value of the daily labour-power, so that surplus labour-time comes to 6 hours. Similarly, with a rate of 500 per cent, necessary labour-time comes to 1.3 hours, while surplus labour-time goes up to 6.7 hours. The basic tendency towards a growth in the rate of surplus-value is also borne out by subsequent data (see Table 4).

The increase in surplus labour-time testifying to the more intense exploitation of the working class with the growing monopolisation of capitalist production and the advance of the current scientific and technical revolution, is a key signal of the ripening material prerequisites for a revolutionary transformation of capitalism into socialism.

Marx's doctrine of the dual nature of labour embodied in the commodity has provided the methodology for solving the riddle of the production of surplus-value and shedding light on the exploitation of wage-labour by the capitalist class, which is the basis for the irreconcilable class antagonism in the bourgeois society, an antagonism which makes it a historically transient society.

4. Capitalist Production as a Contradictory Unity of the Labour-Process and the Value-Expanding Process

The outcome of the dual nature of labour is frequently manifested in highly paradoxical form, so it will pay to look at the overall result of simple capitalist reproduction, i.e., the repetition of capitalist production on some unchanged level.

Let us bear in mind that such a level means a given, invariable volume of the social product consisting of a definite quantity of the articles of consumption and the means of production.

A closer look will reveal the following contradiction: the value of the annual social product turns out to be larger than the whole amount of the living social labour expended in the course of the year, and that by the magnitude of the aggregate value of the product turned out in Department I. That is why the origin of the value of the whole pro-

duct of Department I at first sight appears to be inexplicable.[1]

Let us trace this contradiction step by step:

1) Living labour is known to be the sole source of commodity-value.

2) The whole of the newly-created value in a given year is embodied only in the national income.

3) Under simple reproduction, the society's entire national income is embodied only in the articles of personal consumption, because simple reproduction implies the absence of any accumulation of capital.

4) It follows that under simple reproduction, the society's entire annual labour is materialised solely in the articles of consumption.

5) However, the social product has among its actual components not only the articles of consumption, but also the means of production, that is, the product of Department I of social production having a definite value.

6) As a result, the value of the whole volume of the means of production turned out in a given year, i.e., the product of Department I, appears to be inexplicable.

The paradoxical form in which the results of simple capitalist reproduction appear induces an examination of the *dual nature of capitalist production.*

The problem provides its own solution, if capitalist production is analysed not only from the standpoint of the functioning of abstract labour, as has just been done, but also from the standpoint of the functioning of concrete labour. In the above case no account was taken of the transfer of the value of the means of production to the newly-created product because of the useful and purposeful form of the labour expended in production (the approach taken by classical bourgeois political economy). The fact is that under simple reproduction, the total amount of the value transferred from the means of production equals the value of the whole of the product of Department I. If one considers only the creation of new value (by abstract labour) and ignores the transfer of the old value from the means of production (by concrete labour), the origination of the value of the product in the whole of Department I under simple reproduction becomes incomprehensible.

When Marx examined simple commodity and capitalist

[1] See Karl Marx, *Capital*, Vol. II, pp. 433-37.

production, he looked at the problem in the light of the dual nature of labour and so discovered the two-fold structure of these processes as well. He draws the following conclusion: "We now see, that the difference between labour, considered on the one hand as producing utilities, and on the other hand, as creating value, a difference which we discovered by our analysis of a commodity, resolves itself into a distinction between two aspects of the process of production." [1]

Simple commodity production appears, on the one hand, as a process of labour, and on the other, as a process in which commodity-value is created: "The process of production, considered ... as the unity of the labour-process and the process of creating value, is production of commodities." [2]

For its part, *capitalist production is likewise a two-fold phenomenon:* "Considered... as the unity of the labour-process and the process of producing surplus-value, it [the process of production.—*Auth.*] is the capitalist process of production, or capitalist production of commodities." [3]

We find Marx identifying two aspects of capitalist production: the labour-process, and the process of producing surplus-value. He attached so much importance to that distinction that he used it in the title of Chapter VII of Volume One of his *Capital.*

In Marx's terminology, the labour-process is only one aspect of capitalist production, a concept including *only* the creation of use-value. In the process of labour, man exerts a purposeful influence on the object of labour, i.e., Nature's material, by means of his natural forces and instruments of labour in order to shape it into a form in which it can be used to satisfy human wants. The labour-process, therefore, relates to the processes of concrete labour. Marx says that "the labour-process ... is human action with a view to the production of use-values", [4] adding that the product "is a use-value, Nature's material adapted by a change of form to the wants of man ". [5]

The labour-process is performed between man and Nature and will be found at every historical stage of social devel-

[1] Karl Marx, *Capital*, Vol. I, p. 191.
[2] Ibid.; see also p. 91.
[3] Ibid., p. 191.
[4] Ibid., p. 179.
[5] Ibid., p. 176.

opment, but at each such stage, the labour-process tends to acquire a specific social form. Under capitalism, it acquires the form of a process of expanding value as a process creating surplus-value.

Under capitalism, use-value is not produced with an eye to its utility as such, or directly for the purposes of consumption, but as the repository of exchange-value and, moreover, as the material embodiment of surplus-value.

Getting down to his analysis of the other aspect of capitalist production—the expansion of value—Marx says: "We have now to consider this labour under a very different aspect from that which it had during the labour-process."[1] Whereas the standpoint of concrete labour, of the purposeful and useful form of expended labour, was adopted in considering the labour-process as a process creating use-value, it is now considered from the standpoint of abstract labour, i.e., the quantity of the living and materialised labour expended. Marx says: "If we ... compare the process of producing value with the labour-process, pure and simple, we find that the latter consists of the useful labour, the work, that produces use-values. Here we contemplate the labour as producing a particular article; we view it under its qualitative aspect alone, with regard to its end and aim. But viewed as a value-creating process, the same labour-process presents itself under its quantitative aspect alone. Here it is a question merely of the time occupied by the labourer in doing the work; of the period during which the labour-power is usefully expended."[2]

Labour takes part in the value-expanding process not through its useful form, not as concrete labour, but as abstract labour, as the expenditure of man's physical and mental powers generally, and as the source of commodity-value: "Not only the labour, but also the raw material and the product now appear in quite a new light, very different from that in which we viewed them in the labour-process pure and simple. The raw material serves now merely as an absorbent of a definite quantity of labour."[3] It goes without saying that the labour needs to be expended in some useful, purposeful form, for otherwise no use-value will be produced as the repository of value under commodity production, which means that no value will be created and the

[1] Karl Marx, *Capital*, Vol. I, p. 183.
[2] Ibid., p. 190.
[3] Ibid., p. 184.

expenditure of human labour will not assume the form of abstract labour: "Value is independent of the particular use-value by which it is borne, but it must be embodied in a use-value of some kind." [1] It is a matter of indifference for value whether it is embodied in a solid commodity or a service whose use-value consists in the useful effect provided by the living labour, in the articles of consumption or the means of production. The important thing is that its vehicle—use-value—should truly be such as to satisfy some human want.

Only the socially normal, average conditions of production are taken into account in the process of formation and expansion of value. Only that working-day counts as a 12-hour working-day (even if it lasts, say, 8 hours) in which the product is 12 times greater than that of an average hour of social labour: "For in the creation of value, the time that is socially necessary alone counts." [2]

We find, therefore, that Marx regards both the formation of value and the expansion of value as functions of abstract labour, with the formation of value presenting itself as a function of simple commodity production, and as an element of the value-expanding process. The creation of commodity-value by the commodity-producers' abstract labour under simple commodity production is the process of value creation. Under capitalism, the value-creating process continued beyond the point at which the worker has produced the equivalent of the value of his labour-power, that is, beyond the point at which the worker begins to produce surplus-value, presents itself as the process of expanding value. Marx says: "If on the one hand the process be not carried beyond the point, where the value paid by the capitalist for the labour-power is replaced by an exact equivalent, it is simply a process of producing value; if, on the other hand, it be continued beyond that point, it becomes a process of creating surplus-value." [3]

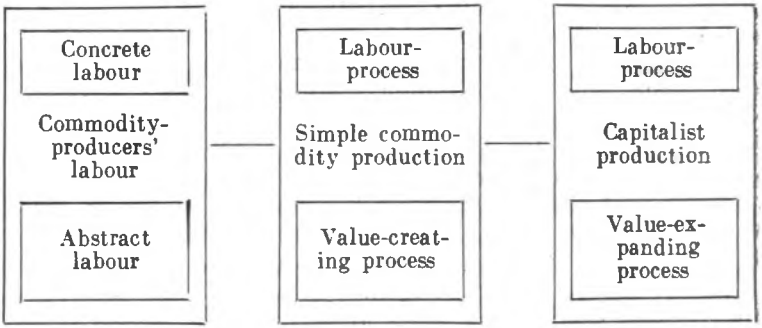
Consequently, the value-expanding process is one in which wage-labour creates the surplus-value which the capitalist gratuitously appropriates, that is, the process of capitalist exploitation.

The two aspects of capitalist production—the labour-process and the value-expanding process—can be separated on-

[1] Ibid., p. 183.
[2] Ibid., p. 184.
[3] Ibid., pp. 189-90.

ly in theoretical analysis, for in actual life these are two organically connected, if even contradictory, aspects of capitalist production. [1]

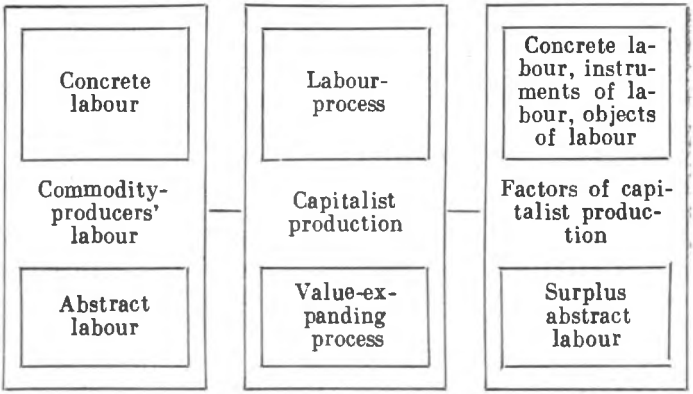
Fig. 19



In his analysis of capitalist production, Marx shows that the labour-process and the value-expanding process are two essentially distinct aspects of such production. They differ, first, in the content of the economic processes which run on either aspect of that production: for the labour-process, it is the creation of the commodity's use-value, and for the value-expanding process, it is the creation of surplus-value. Second, they also differ in the factors of production involved. On the one hand, these are the factors of the labour-process, which include concrete labour, and the objects and instruments of labour, among which are the material and forces of Nature. It is the action of the purposeful, useful form of labour (concrete labour) exerted with the aid of the instruments of labour (machinery, tools, etc.) on the objects of labour (raw and indirect materials, etc.), that creates the commodity's use-value. Marx says: "The elementary factors of the labour-process are 1, the personal activity of man, i.e., work itself, 2, the subject of that work, and 3, its instruments." [2] On the other hand, the commodity-producer's abstract labour, the source of commodity-value, is the factor (and the only factor) in the expansion of value. Consequently, the *factors of capitalist production are, likewise, two-fold.*

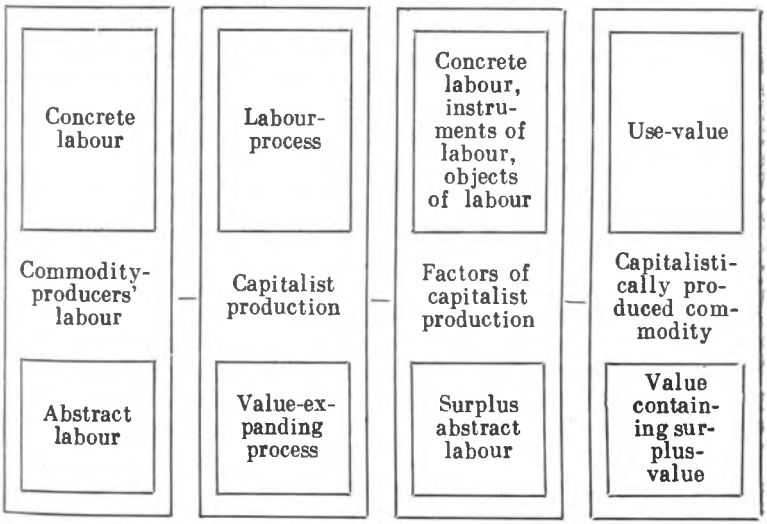
[1] See *Marx-Engels Archives*, Vol. II (VII), p. 36.
[2] Karl Marx, *Capital*, Vol. I, p. 174.

Fig. 20



Third, these two aspects of capitalist production also differ from each other as regards the result of production. The labour-process results in the commodity's use-value, and the value-expanding process, in the surplus-value contained in the commodity. Consequently, the *result of capitalist production is likewise two-fold,* and that is a natural outcome of the two-fold nature of that production and of the labour functioning in it (see Fig. 21).

Fig. 21



The need to draw a distinction between the two aspects of capitalist production springs from the distinctions between them not only from the standpoint of the substance of the economic processes running along these different aspects of production, but also from the standpoint of the laws governing the quantitative changes both in these processes and in the factors of production involved in these processes and their results.

The doctrine of the dual nature of labour and of capitalist production enabled Marx to give a scientific analysis of the structure of capital from the standpoint of the substance of capital and of the process of its self-expansion. He showed that in the process of labour, i.e., the process in which the commodity's use-value is created, capital functions in its material form: the means of production and labour-power, i.e., the objective and subjective factors of production. He says: "The means of production on the one hand, labour-power on the other, are merely the different modes of existence which the value of the original capital assumed when from being money it was transformed into the various factors of the labour-process." [1] But considered from the standpoint of the value-expanding process, i.e, the creation of surplus-value, the objective and subjective factors of capitalist production present themselves, respectively, as constant capital, or *c*, and variable capital, or *v*.

While taking part in the labour-process in its material form, constant capital does not take part in the value-expanding process, i.e., constant capital is not a source of surplus-value (*Mehrwert,* or *m*), although its material form is a factor in the production of the commodity's use-value.

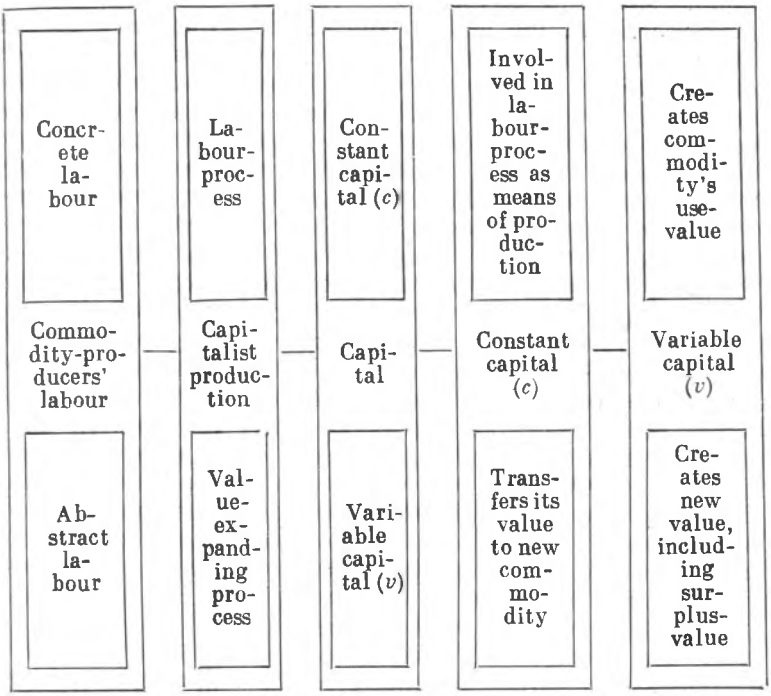
In contrast to constant capital, variable capital, embodied in the labour-power functioning in production, takes part not only in the labour-process, but also in the process of expanding value. It is the only part of capital which increases the original capital value, so creating surplus-value. It is known as variable capital because in the process of capitalist production it changes its value, so ensuring the self-expansion of capital.

Marx says that "the same elements of capital which, from the point of view of the labour-process, present themselves respectively as the objective and subjective factors, as means of production and labour-power, present them-

[1] Karl Marx, *Capital,* Vol. I, p. 202.

selves, from the point of view of the process of creating surplus-value, as constant and variable capital".[1] It is the concept of the dual nature of labour that gave Marx the clue to the two-fold structure of capital.

Fig. 22



The means of production involved in capitalist production also reveal their two-fold structure under the impact of that two-fold process. Let us bear in mind that the means of production do not create any new value, and as such naturally take no part in the production of value. However, the means of production, having been created by the labour of the workers and incorporating materialised, or crystallised, labour, and for that reason also having value, are involved in the transfer of the old value to the commodity being newly created. By contrast, other means of production, which are a gift of Nature and which do not have val-

[1] Karl Marx, *Capital*, Vol. I, p. 202.

ue, although involved, like the former, in the creation of use-value, are not a factor in the formation of commodity-value.

The two-fold nature of capitalist production also determines the *duality of the capitalist labour discipline*. On the one hand, there are the demands being made on labour discipline stemming directly from the peculiarities of the labour-process at the given stage of its development as the production of use-value, and from the cooperative character of that process, such as the demand on the individual worker taking part together with a group of other workers in some act of collective labour (say, the handling of heavy weights, etc.). On the other, there are the demands being made on labour discipline stemming directly from the conditions of value expansion, i.e., the maximisation of the surplus-value which is being produced by the workers and which is the purpose of capitalist production. Since only the average, socially necessary conditions of production are taken into account in the value-producing process, the capitalist seeks to introduce a labour discipline enabling him to ensure a labour productivity (through its intensification, cuts in the time needed to satisfy the worker's natural wants, in the time of rest, etc.) equal to average social productivity, or even one surpassing it, if the conditions of production at his enterprise are worse than the social average conditions (in technical equipment, quality of raw materials, etc.). So, labour discipline presents itself as an additional factor behind the extraction of the maximum surplus-value from the working class.

The disclosure of the two-fold structure of capitalist production as a contradictory unity of the labour-process and the value-expanding process, i.e., the capitalist exploitation of wage-labour, helps to analyse the nature of productive labour under capitalism.

5. Two Aspects of Productive Labour under Capitalism

Productive labour presents a highly interesting politico-economic problem. It is a question of labour reproducing the dominant mode of production (capitalist, communist or some other), its productive forces and its relations of production. It is a question of the kind of labour that goes to

realise the objective purpose of the given mode of production and so acts as the source of wealth in the given socio-economic conditions. It is no accident, therefore, that the problem has been actively debated by generations of economists: mercantilists, physiocrats and classics of bourgeois political economy, among them Adam Smith and David Ricardo. However, Marx alone gave a truly scientific solution to the problem, which he analysed in the light of his doctrine of the dual nature of labour and theory of surplus-value.

Marx said that *productive labour had a two-fold character,* which reflected the actually contradictory condition of labour in the capitalist society, and which *was determined by the dual nature of the commodity-producers' labour itself.*

Marx characterises productive labour under capitalism from two standpoints, which *as a unity* reflect the duality of capitalist production and ultimately the dual nature of the commodity-producers' labour.

First, Marx characterises productive labour from the standpoint of the simple labour-process, i.e., the process in which the commodity's use-value is created, and of which concrete labour is the crucial factor. Marx says: "If we examine the whole from the point of view of its result, the product, it is plain that both the instruments and the subject of labour, are means of production, and that the labour itself is productive labour."[1] Here, the capacity of concrete labour to produce use-value, a product, is the criterion of productive labour.[2]

Labour as concrete, useful labour takes part in reproducing either the material (objective) or human (subjective) elements of the society's productive forces, and in that sense it is productive, regardless of whether its result is a use-value embodied in a material form, or a use-value in the form of a useful effect of labour itself consumed in the process of production, i.e., in the form of a service, since the service takes part in reproducing the society's productive forces, above all its human elements. There is, of course, an important difference between labour incorporated in the material product of labour, and labour expressed in the

[1] Karl Marx, *Capital*, Vol. I, p. 176.

[2] See Marx's view of the result of labour in the sphere of non-material production as a product (Karl Marx, *Theories of Surplus-Value*, Part I, pp. 410-11).

form of a service. Material products, along with the objects of personal consumption, also include the means of production. The products of material production are the material stock for the functioning both of that stock itself and of the sphere of the services which does not produce any material use-values (if phenomena are considered in their pure form), and also for the functioning of the non-production sphere. In virtue of that, the sphere of material production is the leading and crucial one within the system of social production. The relation between the sphere of material and non-material production under present-day capitalism is not a question of the relation between productive and non-productive labour (since the sphere of non-material production is also subordinate to capital), but of the relation between the two key spheres of social production.

From the standpoint of the simple labour-process, labour which does not produce social use-values (say, labour employed in the government machine, the army, etc.) is not productive labour, but "this method of determining, *from the standpoint of the labour-process alone,* what is productive labour, is by no means directly applicable to the case of the capitalist process of production". [1] It characterises labour only from the standpoint of its content, i.e., its useful effect, ignoring the social form which labour acquires when included in the system of the relations of production that are predominant in the given society, the standpoint for characterising labour that is in fact the principal one for political economy.

Second, Marx characterises productive labour from the standpoint of the social form which that labour assumes under capitalism, i.e., from the standpoint of its participation in the value-expanding process. Marx says that labour, as abstract labour, as the source of commodity-value, presents itself as productive labour under capitalism only if it creates not just value, but also surplus-value for the capitalist, for only then does labour take part in reproducing capitalism's basic relation of production, namely, the relation of exploitation of the proletariat by the bourgeoisie. [2] There is much methodological significance in Marx's idea that "it is a definition of labour which is derived not from its content or its result, but from its particular social

[1] Karl Marx, *Capital*, Vol. I, p. 176 (footnote 2) (emphasis added—*Auth.*).

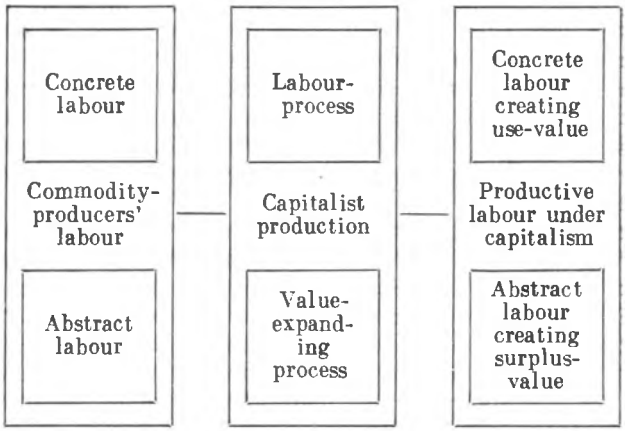
[2] See Ibid., p. 477.

form",[1] i.e., not from concrete labour, or from the specifics of the use-value it produces, but from the abstract labour which creates surplus-value.

Consequently, from the standpoint of the content of labour, any labour producing a social use-value (participating in the reproduction of this or that element, personal or material, of the productive forces of society) is productive, whereas from the standpoint of social form, only that labour is productive under capitalism which serves the self-expansion of capital.

Summing up his analysis of the problem of productive labour and emphasising its two-fold character under capitalism, Marx says that "the notion of a productive labourer implies not merely a relation between work and useful effect, between labourer and product of labour, but also a specific, social relation of production, a relation that has sprung up historically and stamps the labourer as the direct means of creating surplus-value".[2]

Fig. 23



So, productive labour under capitalism has a dual nature corresponding to the dual nature of the commodity-producer's labour. Such is its internal structure. It is a labour that takes part in the reproduction of both the productive forces (of their human or material elements i.e., of labour-

[1] Karl Marx, *Theories of Surplus-Value*, Part I, p. 158.
[2] Karl Marx, *Capital*, Vol. I, p. 477.

power or the means of production) and capitalism's relations of production, i.e., in the reproduction of the capitalist mode of production as a whole. Marx stresses that there is no point here in drawing a distinction between the spheres of material and non-material production, since both are subordinated to capital: "That labourer alone is productive, who produces surplus-value for the capitalist, and thus works for the self-expansion of capital. If we may take an example from outside the sphere of production of material objects, a schoolmaster is a productive labourer, when, in addition to belabouring the heads of his scholars, he works like a horse to enrich the school proprietor. That the latter has laid out his capital in a teaching factory, instead of in a sausage factory, does not alter the relation." [1]

It follows, in particular, that the wage form of labour cannot of itself be a sign of productive labour under capitalism, because wage-labour can be used for the provision of individual services (household servants, etc.), instead of the production of surplus-value. Such labour-power, which does not work for the capitalist for a wage, but is exchanged for an income and not for capital, does not reproduce the capitalist relations of production, which is why its labour is not productive for capitalism.

The sizable number of those employed in the provision of individual services to the bourgeoisie is an important, though not the only indicator of the scale of non-productive labour, of parasitism which is wide-spread under capitalism today.

The monstrous growth of the repressive machine of imperialism—the police, the army, etc.—employing large labour resources of the bourgeois society is the principal manifestation of non-productive labour under capitalism. It is a tragedy for mankind that labour under capitalism employed in arms manufacture appears as productive labour from the standpoint of the capitalist form of abstract labour and the reproduction of capital, because labour in arms manufacture is subjected to exploitation and produces surplus-value, thereby reproducing the capitalist relations of production, although it is non-productive from the standpoint of concrete labour and its content, because the use-values (means of warfare) which it creates do not take part in reproducing either the human or the material

[1] Karl Marx, *Capital*, Vol. I, p. 477.

elements of the society's productive forces. Indeed, the sector in which labour is applied to arms manufacture under capitalism turns out to be the most profitable one, with the most fabulous superprofits being reaped by corporations turning out military-related products. Huge funds are expended for military purposes in the imperialist countries. In the United States, for instance, military expenditures under the Federal Budget went up, according to official data, from $74.5 billion in 1973 to 285.7 billion in 1986, or nearly quadrupled. [1] The arms race imposed by imperialism on mankind has been absorbing astronomical amounts of money and resources, while hundreds of millions of people in the capitalist world have to go short of the bare essentials, among them food, clothing, medicines and housing.

It shows not only that under capitalism there is now a tendency for non-productive labour, and so also of parasitism, to spread, but that the capitalist system exerts a heavy drag on the development of the productive forces. It poses an immediate danger to mankind's very existence.

Returning to the theoretical problems of productive labour under capitalism, let us note that Marx kept stressing that the character of the use-value being produced (be it a material good or service, a means of production or an article of consumption, etc.) in itself has nothing to do with the problem of classifying labour either as productive or non-productive. He says: "The determinate material form of the labour, and therefore of its product, in itself has nothing to do with the distinction between productive and unproductive labour." [2] Consequently, it is not the character of concrete labour that determines whether or not a given labour is productive for capital. From the standpoint of concrete labour, there is only one necessary (though inadequate) prerequisite, and it is that some use-value is produced to meet a want in the development or functioning of the productive forces, and the fact that a use-value in the sphere of non-material production is now and again not embodied in a material form and disappears as soon as its production ceases (while leaving a definite useful result through its consumption) does not hamper the production of value and surplus-value, because as soon as the production of the service ceases the use-value of the product of

[1] See *Economic Indicators*, February 1985, p. 33.
[2] Karl Marx, *Theories of Surplus-Value*, Part I, p. 159.

non-material production disappears, but not its value, which acquires a money-form as a result of the sale of that product to the consumer, and remains in that form even after the production of the service has ceased.

Let us note, incidentally, that alongside the non-material form of use-value produced by labour in the sphere of non-material production, i. e., the useful effect of the activity of living labour, such as the labour of teaching, medical treatment, singing, etc., the use-value created in that sphere may also acquire material forms (such as sculptures, pictures, books and other products of spiritual production).

The distinction between productive and non-productive labour relates directly to the social form of labour, i.e., under capitalism to abstract labour, and not to concrete labour (although such labour must take place as a necessary prerequisite, because abstract labour is unfeasible without some useful, concrete form of labour). Marx defines productive labour under capitalism as labour that is "*directly exchanged with capital*",[1] i.e., with wages, the money form of variable capital, as labour reproducing capital, and non-productive labour as labour directly exchanged for income. He adds: "These definitions are therefore not derived from the material characteristics of labour (neither from the nature of its product nor from the particular character of the labour as concrete labour), but from the definite social form, the social relations of production, within which the labour is realised."[2] The point is that capitalist relations of production consist precisely in the workers' production by their surplus abstract labour of surplus-value which the bourgeoisie gratuitously appropriates.

If labour creates surplus-value, thereby reproducing capital, such labour will be productive labour for the capitalist mode of production, regardless of the character of the use-value in which that labour is embodied as it reproduces this or that element of the society's productive forces: "The use-value of the commodity in which the labour of a productive worker is embodied may be of the most futile kind. The material characteristics are in no way linked with its nature which on the contrary is only the expression of a definite social relation of production."[3]

The examples Marx gives just after the methodological

[1] Karl Marx, *Theories of Surplus-Value*, Part I, p. 157.
[2] Ibid.
[3] Ibid., p. 158.

argument of his conception of productive labour leave no doubt that the character of useful, concrete labour reproducing this or that element of the society's productive forces by means of material goods or services, i.e., the properties of the product it produces, have nothing to do with the problem of productive labour, which is determined from the standpoint of labour's participation (or non-participation) in the reproduction of capitalism's relations of production. Thus, a jobbing tailor who comes to the capitalist's house and patches his trousers for him, producing a material use-value for him and thereby functioning in the sphere of material production, is a non-productive labourer,[1] because his labour does not create any surplus-value for the capitalist and so fails to reproduce the capitalist relations. From the standpoint of those relations such labour is non-productive. By contrast, a worker labouring for a wage and creating surplus-value for the capitalist performs productive labour even when he functions in the sphere of non-material production. In this context, Marx says: "An actor, for example, or even a clown, according to this definition, is a productive labourer if he works in the service of a capitalist (an entrepreneur) to whom he returns more labour than he receives from him in the form of wages."[2]

Marx explains his conclusion as follows: the labour of the actor who receives a wage from the capitalist is exchanged for capital, whereas the labour of the jobbing tailor, who is a simple commodity-producer, is exchanged for revenue: the actor's labour "produces a surplus-value", whereas in the tailor's case "revenue is consumed".[3]

It follows that the view that productive labour under capitalism is embodied only in material commodities (Adam Smith, for instance, held that labour producing services was non-productive) is methodologically based on the properties of concrete labour and the characteristics of its products, instead of the social forms in which that labour is effected, i.e., the specific role which abstract labour acquires under capitalism, namely, its capacity to produce surplus-value. But that is precisely what makes labour productive for capital. This conception of Smith's is, therefore, methodologically based on a confusion of the pro-

[1] See ibid., p. 157.
[2] Ibid., p. 157.
[3] Ibid.

cesses of concrete labour and the processes of abstract labour, which is characteristic of vulgar bourgeois political economy. [1]

That is precisely why Marx regards "the urge to define *productive* and *non-productive* labour on the strength of its *material* content" as a manifestation of the approach to economic phenomena from the angle of commodity fetishism. [2]

In his critique of Smith's view, Marx shows that the division of labour into productive and non-productive has nothing to do with whether the product of such labour assumes a material form, or whether the product (or service) is consumed only at the moment of its production, and so disappears with the cessation of that production. The whole point is the social form acquired by labour, whether it does or does not create surplus-value for the capitalist. Marx says: "The same labour can be productive when I buy it as a capitalist, as a producer, in order to create more value, and unproductive when I buy it as a consumer, a spender of revenue, in order to consume its use-value, *no matter whether this use-value perishes with the activity of the labour-power itself or materialises and fixes itself in an object.*" [3]

While showing that Smith's reduction of productive labour only to the labour represented in material goods was scientifically untenable, Marx pointed out that it was historically justified at a time when capital had subordinated to itself only the sphere of material production, while non-material production rested on simple commodity production, as it did in Smith's time, adding that the latter's approach was progressive because it was directed against the parasitism of the ruling classes of the feudal society. [4]

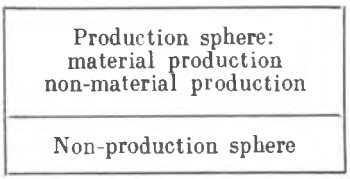
In his polemic with Smith, Marx shows that labour in non-material production subordinated to capital creates not only use-value, but also value, and surplus-value, in contrast to the same labour functioning under simple commodity production and creating only use-value and value. Marx says: "A singer who sells her song for her own account is an *unproductive labourer.* But the same singer

[1] See Karl Marx, *Theories of Surplus-Value*, Part I, p. 173.
[2] See *Marx-Engels Archives*, Vol. II (VII), p. 142.
[3] Karl Marx, *Theories of Surplus-Value*, Part I, p. 165 (emphasis added.—*Auth.*).
[4] See ibid., pp. 160-61, 174-75.

commissioned by an entrepreneur to sing in order to make money for him is a *productive labourer*; for she produces capital." [1] Consequently, the stock of value from which labour in non-material production is paid is reproduced and replaced by that labour itself, and does not arise as a result of a re-distribution of value from the sphere of material to the sphere of non-material production.[2] What the sphere of non-material production actually receives from material production is the whole material stock of its functioning, namely, the material instruments and objects of labour necessary for the production of non-material products of labour, and also of the material articles of personal consumption necessary for the normal reproduction of labour-power in the sphere of non-material production. However, the sphere of non-material production receives this material stock in equivalent exchange for the commodity it produces, as is the rule in any other exchange of one commodity for another. Considering that aspect of the functioning of the sphere of the services, Marx says: "Here, as in every exchange of commodity for commodity, equal value is given for equal value." [3] So, the idea of a re-distribution of value from the sphere of material production to the sphere of non-material production is based on a confusion of value and the material fund received by the sphere of non-material production in equivalent exchange, and so ultimately on a confusion of use-value and value, and of the processes of concrete and abstract labour.

Marx's doctrine of productive labour, including the productive character of labour in the sphere of non-material production subordinate to capital, is a key instrument in combating present-day bourgeois apologetics, including the notion of some "post-industrial society".

Fig. 24



[1] Ibid., p. 401.
[2] See ibid., p. 165.
[3] Ibid., p. 169.

Let us bear in mind that Marx drew a distinction between two spheres of economic life, namely, the production sphere and the non-production sphere, which merely consumes the products created in the sphere of production. Production, in turn, was divided by Marx into the sphere of material and the sphere of non-material production.

The distinction between these two spheres of production and their contrast to the non-production sphere is highly important, notably from the standpoint of the movement of the economic spheres, reflecting the dynamics of the contemporary socio-historical process. Under the impact of the scientific and technical revolution there has been in the developed capitalist countries a substantial increase in the share of non-material production, including the services sphere. In the 44 years from 1929 to 1973, employment in the sphere of material production (industry, electric-power, building, agriculture, fisheries, forestry, and material services) fell from 78 per cent to 63.5 per cent, while employment in the sphere of the non-material services went up by more than 50 per cent, from 22 per cent to 36.5 per cent. Considering that employment in material services (transport, communications, merchandising, the hotel industry, repairs) remained unchanged at 27 per cent, one could draw the conclusion that, in terms of employment, the services have become the dominant sphere of the economy, which in 1973 accounted for 63.5 per cent of all the jobs (27 per cent in material and 36.5 per cent in non-material services). Characteristically, most of the increment in employment was effected at the expense of services in education, public health and science.[1]

The following table also testifies to growing employment in the services, although it is based on a different set of methods, which is why the data do not quite correspond to those given above, notably because the "services" here do not include transport, communications, merchandising, finance, insurance, and the like.

The result was an increase in employment in the sphere of production as a whole, although the balance between material and non-material production tilted in favour of the latter. The expansion of the sphere of production through an expansion of the sphere of non-material production is to some extent borne out by the data on the

[1] See *USA: Measurement of Economic Growth*, Nauka Publishers, Moscow, 1976, p. 14 (in Russian).

growing share of wage-workers among the economically active population of the developed capitalist countries, which means that an ever greater part of the population

Table 5

Total Civilian Employment and Employment in the Services in the United States (1970-1981)

	1970	1975	1979	1980	1981
Total civilian employment (mln)	78.7	85.8	98.8	99.3	100.4
Employment in the services sphere	20.3	24.0	27.8	28.6	29.4
Employment in the services sphere as a share of total civilian employment	25.7	28.0	27.3	28.7	29.2

Source: Statistical Abstract of the United States 1982-1983, GPO, Washington, 1983, p. 390.

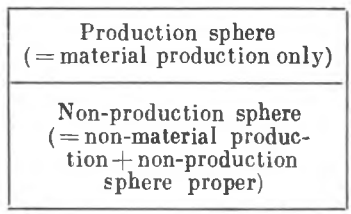
in the capitalist countries—and the overwhelming part in some of them—is becoming an object of capitalist exploitation, producing surplus-value which the bourgeoisie gratuitously appropriates, and so performing productive labour. The growing role of non-material production is, therefore, an important manifestation of the growing antagonism between labour and capital in our day.

Apart from it being theoretically untenable, the inclusion of capitalist non-material production—as the services sphere—within the framework of the non-production sphere gives an altogether false picture of the structure of economic life and the dynamics of its spheres, and together with it of the content of the ongoing socio-historical process.

With such an approach, a growth of non-material production will be regarded as an increase in the non-production sphere and so also in the sphere in which no surplus-value is created, and in which non-productive labour functions. In actual fact, says Marx, "productive labour is

only a concise term for the whole relationship and the form and manner in which labour-power figures in the capitalist production process".[1] The sphere of non-productive

Fig. 25



labour with an identification of labour in capitalist non-material production and non-productive labour, will be expanded, so leaving the impression that an ever larger part of the employed population is excluded from the sphere of capitalist exploitation, with the antagonism between labour and capital being relaxed, instead of growing. On that logic, an ever larger part of those employed will function in the services sphere as non-productive labour, i.e., labour which does not create surplus-value for capital, so that the proportion of workers being subjected to capitalist exploitation will decline. The identification of labour in capitalist non-material production and non-productive labour, therefore, tends to produce the false prospect of emerging non-capitalist "services society" to replace the exploitative capitalist society by way of evolution, without the class struggle or socialist revolution, simply through a burgeoning of the services sphere under the impact of the scientific and technical revolution.

It will be easily seen that a confusion of productive labour employed in non-material production, and labour functioning in the non-production sphere, i.e., the view of it as non-productive labour, is the methodological basis for the bourgeois "post-industrial society" conception.

Considering that productive labour under capitalism is labour reproducing capital by creating surplus-value, the idea that there is an expansion of the sphere of non-productive labour under present-day capitalism resulting from the growing share of non-material production could sug-

[1] Karl Marx, *Theories of Surplus-Value*, Part I, p. 396.

gest only this conclusion: there is a tendency for the sphere of capitalist exploitation to be curtailed, with all the consequences that this entails for the working class and the revolutionary working-class movement. In actual fact, the sphere of productive labour under capitalism, and of the class antagonism between labour and capital, has a tendency to expand (see Tables 1-4).

Marx's conception of productive labour under capitalism, which rests on his dual-nature-of-labour doctrine, helps to clarify the movement of the principal spheres of economic life under capitalism today and, in the light of the new phenomena of the scientific and technical revolution, to show that the tendency of social development to run from capitalism to socialism discovered by Marxism-Leninism is well grounded.

The productive-labour concept undergoes important changes with the growing capitalist socialisation of production, the development of its cooperative character and the substitution of the aggregate worker for the individual producer performing all the functions in the production of the product. The aggregate worker is the combined working personnel whose members are directly or indirectly involved in the production process creating definite use-values. The emergence and development of the aggregate worker is based on the growing social character of production and the developing division and cooperation of labour. The aggregate worker emerges as a result of the separation of the individual functions of a once-individual process of labour into the special functions of cooperative labour whose performance is now a special task of the organs of the aggregate worker.

There are two aspects to the aggregate worker. First, there is the aggregate worker considered from the standpoint of its content, as an important element of the society's productive forces determined by the historically rooted character of the labour-process (handicraft, machine, etc., types of production), the level of division of labour, the character and scale of the technology applied, and the means of production used. As such, the aggregate worker presents itself as an element of man's relations with Nature. However, the aggregate worker is an elaborate interrelated system of labour-powers performing specific spun-off functions of direct production and for that reason including within itself the system of the production rela-

tions of direct exchange of activity and its results between the elements and organs of the aggregate worker. These production relations are directly incorporated in the society's productive forces. Second, there is the aggregate worker considered from the standpoint of socio-economic form, i.e., social production relations into which the aggregate worker enters with the proprietor of the means of production. As such, the aggregate worker under capitalism presents itself as a definite combination of wage-labour and a specific natural form of the being of variable capital.

Hence the *two-fold factors exerting an influence on the evolution of the aggregate worker.* On the one hand, the development of the aggregate worker is dictated by the growing complexity of the labour-process and the developing division of labour, with the consequent growth of the scale of cooperation of labour requiring the simultaneous employment of sizable masses of labour capable of performing numerous and multifarious functions. On the other hand, the development of the aggregate worker is under the influence of the dominant relations-of-production system. Under capitalism, for instance, the exploitative substance of economic relations determines the need for the simultaneous use of sizable masses of combined labour in order to maximise capitalist profit, and that enables the capitalist to take no part in production and to live off the appropriated unpaid labour of others. However, in these conditions, the development of the aggregate worker is limited to the size of the individual, associated or state capital, thereby producing a discrepancy between the growing social character of production, which has matured to the national, international and even world level, on the one hand, and the actual level of socialisation of production which is possible under capitalism and which is constrained by the limits of capitalist appropriation, on the other.

The individual labour of each worker incorporated in the labour of the aggregate worker presents itself as a component part of the aggregate labour, as a phase of the labour-process through which the object of labour has to pass, or as a function of the aggregate worker directly acting on the object of labour, but one which is necessary for the functioning of the aggregate worker as a whole, or of one of its units or organs.

The aggregate worker makes it possible to allocate in the most rational way the various production and auxiliary functions among the workers in accordance with their various natural capacities and level of general-education and vocational training, so attaining an equally high level of production proficiency, emulation among the workers and the most economical expenditure of their labour, since each applies his labour only for the performance of a special and specific function of the aggregate worker. But under capitalism, the development of the aggregate worker and the attendant division of labour tends to erode the content of the workers' labour, turning them into a partial machine's partial appendages riveted to the given aggregate worker as to a specific form of being of variable capital in virtue of labour's real and formal subordination to capital, so that the high performance of narrow specialisation is achieved through a waste of the workers' total capacities for labour generally. The growing labour productivity consequent on the development of the aggregate worker spells out for the worker under capitalism as mounting exploitation, the production both of absolute and of relative surplus-value, and the piling up of bourgeois wealth as the instrument of the increasing oppression and exploitation of the working class and all the other masses of working people.

Collective labour, fragmented into a great many separate operations and functions directly or indirectly necessary for the production of the corresponding use-value is transformed into the combined labour of the aggregate worker through management, with its managerial relations ensuring a definite organisation of the direct labour-process, the allocation of functions, and the coordination and meshing-in of operations among the individual organs and units of the aggregate worker. In contrast to the same number of relatively independent workers, the aggregate worker ensures not only a rise in labour productivity along the most various lines among its constituent labour-powers, but also the creation of the new productive power of cooperated labour, "namely, the collective power of masses", [1] a power which is capable of tackling production tasks with which the same number of separate individual producers cannot cope.

[1] Karl Marx, *Capital*, Vol. I, p. 309.

The origination and development of the aggregate worker inevitably tends to expand the concepts of productive labour and productive worker. In order to be a productive worker, the person incorporated in the aggregate worker has no need to exert direct action on the object of labour. It now suffices for him, on the one hand, to be an organ of the aggregate worker producing definite use-values and to perform one of its functions or sub-functions, and on the other, to take part, within the aggregate worker, in reproducing the dominant relations-of-production system of the given mode of production. [1]

The two-fold character of capitalist production, which is a contradictory unity of the labour-process and the value-expanding process, *necessarily predetermines the duality of the management of such production as well.*

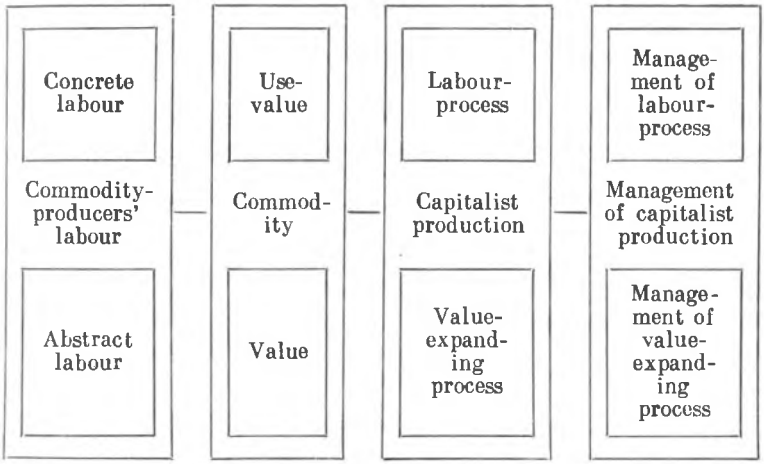
On the one hand, it is the management of the labour-process, i.e., of the process of production of use-values which tends to acquire ever greater complexity and scale in virtue of the considerable growth in the division and cooperation of labour on a national and international scale and the rapid advance of science and technology under the impact of the scientific and technical revolution. Management of the simple labour-process is management of the production of always definite, specific use-values, which implies a knowledge of their specific features, technology of manufacture, etc. Labour in managing the labour-process is, for that reason, a special form of concrete, useful labour, and as such it is productive labour, being a component element of the aggregate worker. It is involved in the production of the corresponding use-values not directly, but as a personification of the functions of the aggregate worker.

On the other hand, the management of production under capitalism is the management of the value-expanding process, i.e., the process in which the working class is exploited. This aspect of management is connected with the socio-economic (namely, capitalist) form of such production, and with the capitalist's need to extract an ever higher rate and greater mass of surplus-value from the wage-workers he exploits. From the standpoint of the value-expanding process, managerial labour, for its part, presents itself as a two-fold phenomenon. On the one hand,

[1] See Karl Marx, *Capital*, Vol. I, p. 477.

the managers of capitalist production (and they are mainly members of the lower echelon of that social stratum), being themselves wage-labourers and taking part, as members of the aggregate worker, in producing both the commodity's use-value and value, are objects of capitalist exploitation themselves. On the other hand, the principal function of that labour is the extraction of the maximum of surplus-value from the workers, a step-up of their exploitation and the maximisation of capitalist profits. Emphasising that point, Marx says: "If, then, the control of the capitalist is in substance two-fold by reason of the two-fold nature of the process of production itself—which, on the one hand, is a social process for producing use-values, on the other, a process for creating surplus-value—in form that control is despotic."[1]

Fig. 26



Marx's doctrine of the dual nature of labour contained in commodities enabled him to disclose the complex structure of the management of capitalist production and to work out a methodology for analysing both the content of the managerial process and the character of the labour functioning in it. But the main thing is that it determined his scientific approach to studying the substance of the

[1] Karl Marx, *Capital*, Vol. I. p. 314.

economic relations between the principal classes of the capitalist society and to discover the law of surplus-value, which makes the capitalist system of exploitation and oppression of the labouring masses historically transient and objectively necessitates a revolutionary substitution of socialism for capitalism.

Chapter Four

THE PRODUCTION OF SURPLUS-VALUE: TWO-FOLD METHODS

The dual nature of the commodity-producers' labour helps to explain not only the very substance of the law of surplus-value, but also the *two-fold nature of the methods used in producing surplus-value.* The difference between the production of absolute and relative surplus-value springs from the two-fold methods used to increase the output of commodities (based on the dual nature of labour producing the commodity and the dual nature of capitalist production) depending on the aspect of labour and capitalist production providing the impulse for such an increase: whether it is the increasing expenditures of abstract labour (from the standpoint of the value-expanding process) or the growing efficiency of concrete labour (from the standpoint of the labour-process and the production of use-value). In actual conditions, these methods of producing surplus-value mutually intertwine and condition each other, which does not exclude but implies their demarcation in theory.

1. Abstract Labour and the Production of Absolute Surplus-Value

An increase in the duration of the working-day under capitalism is known to be the classical expression of the production of absolute surplus-value. Marx says: "The surplus-value produced by prolongation of the working-day, I call *absolute surplus-value.*"[1] But what is prolongation

[1] Karl Marx, *Capital*, Vol. I, p. 299.

of the working-day but an increase in the expenditure of abstract labour resulting from the lengthening of the time in which labour-power functions? After all, a simple prolongation of the working-day does not cause any change in kind in the useful form of labour, i.e., in the concrete labour of the comodity-producers. A weaver, for instance, expends his labour in the same useful form over a period of 8 as of 10 hours, and the only direct change resulting from the longer working-day is the quantity of abstract labour expended in the course of that day.

That means that the production of absolute surplus-value through the prolongation of the working-day is directly connected with changes occurring from the standpoint of abstract labour, and here there are two possibilities: a lengthening of the working-day, first, at the individual enterprise, and second, on average in the society. The difference is that in the first instance the prolongation of the working-day will have no influence on the social value of the labour-power (although it will increase its individual value), because a change in the time in which labour-power functions at the individual enterprise will not change the social conditions of the reproduction of labour-power, and that is precisely what is important from the standpoint of determining the value of labour-power. In the second instance, conversely, the prolongation of the working-day must tell on the value of the labour-power, by causing a corresponding increase in it. However, in view of the corresponding increase in surplus labour-time, the exploitation of the working class is stepped up.

Let us look at these two instances in the light of the relevant figures, by expressing the corresponding parts of the working-day in hours of labour-time and in units of homogeneous use-value (in the number of articles turned out in the given parts of the working-day). Let us designate the necessary labour-time by v, since it is the value of the labour-power, i.e., the value of the variable capital, that is reproduced within that part of the working-day, and the surplus labour-time by m, since surplus-value is produced within that part of the working-day.

Thus, if the original working-day (Example a) equals 8 hours and it is equally divided into a necessary (v) and a surplus (m) part, the prolongation of the working-day by 2 hours at an individual enterprise (Example b) has the following results:

a) | 4 hours (4 pieces) | 4 hours (4 pieces) | 8 pieces
| v | m |

b) | 4 hours (4 pieces) | 6 hours (6 pieces) | 10 pieces
| v | m |

1) The social value of labour-power remains unchanged, and is equal to 4 hours.

2) Surplus-value is increased from 4 to 6 hours, i.e., the *absolute expression of exploitation*—the mass of surplus-value—will go up by 50 per cent.

3) The rate of surplus-value, i.e., the *relative expression of exploitation*, will go up from 100 per cent

$$\frac{4 \text{ hours}}{4 \text{ hours}} \times 100\%$$

to 150 per cent $\frac{6 \text{ hours}}{4 \text{ hours}} \times 100\%$.

4) in material terms, the surplus-value will be represented by 6 pieces (articles)instead of 4.

The results are different in the event of an average prolongation of the working-day in the society. With the same original 8-hour working-day, its prolongation by 2 hours on average in the society will produce the following:

a) | 4 hours (4 pieces) | 4 hours (4 pieces) | 8 pieces
| v | m |

b) | 5 hours (5 pieces) | 5 hours (5 pieces) | 10 pieces
| v | m |

1) The social value of labour-power goes up from 4 to 5 hours, i.e., by 25 per cent.

2) The absolute expression of exploitation also goes up by 25 per cent (from 4 to 5 hours).

3) The relative expression of exploitation remains unchanged and is equal to 100 per cent $\frac{4 \text{ hours}}{4 \text{ hours}} \times 100\%$ and $\frac{5 \text{ hours}}{5 \text{ hours}} \times 100\%$.

4) The total output will go up from 8 to 10 pieces, and the material expression of surplus-value from 4 to 5 pieces.

Consequently, regardless of whether the working-day is increased at the individual enterprise or in the society as a whole, the increase in the time in which abstract labour functions results in the production of absolute surplus-value.

Let us bear in mind that with the development of the working-class movement fighting back against capitalist exploitation, the working-day has a tendency to be reduced. Thus, in the developed capitalist countries, it is shorter at the end of this, 20th century, than it was, for instance, at the end of the 19th century. That being so, ever greater significance attaches to the other way of producing absolute surplus-value, namely, an increase in the intensity of labour, so that the length of the working-day presents itself as the extensive magnitude of labour, and the intensity of labour, as its intensive magnitude.[1] However, from the standpoint of the methods of producing surplus-value, it is important to distinguish between intensity at the individual enterprise or in the individual industry, on the one hand, and the average social intensity of labour, on the other.

Let us bear in mind that labour intensity is a direct indicator of the expenditure of abstract labour per unit of time, so that, like the length of the working-day, labour intensity relates directly to the functions of abstract labour, but while being true of individual and sectoral labour intensity (as we shall subsequently see), it needs to be corrected when applied to average social labour intensity.

What effect does greater labour intensity have on the production of surplus-value? Before answering this question let us recall the effects of higher individual and sectoral labour intensity on the commodity's use-value and value.

First, it causes a corresponding growth in the mass of use-values being produced, although their source is not abstract labour. The increase in the mass of use-values with the growth of abstract labour expenditures is due to the fact that abstract labour is always expended in a definite useful form and in organic unity with concrete labour, the other aspect of labour. Marx says: "Hence a working-day of more intense labour is embodied in more products than is one of less intense labour."[2]

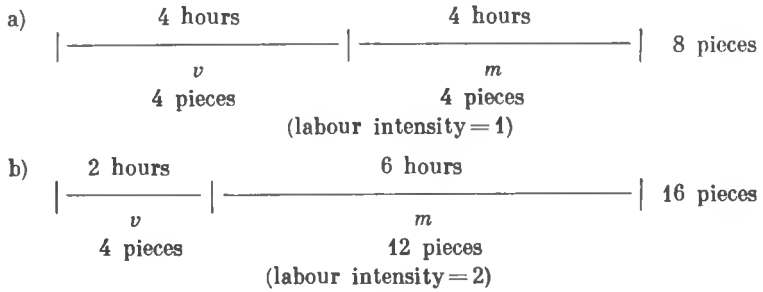
Second, a growth of labour intensity in these conditions

[1] See Karl Marx, *Capital*, Vol. I, p. 486.
[2] Ibid., p. 491.

results in an increase of the total amount of value produced in the given period in the same proportion as the growth of labour intensity, or "a day's labour of increased intensity will be incorporated in an increased value".[1]

Third, the value of a unit of the products being turned out remains unchanged because the expenditures of abstract labour and the output of use-values in the given period of time are increased at one and the same rate, or "value remains unchanged, for each article costs the same labour as before".[2]

Assuming that, with the same working-day of 8 hours and its same structure, labour intensity at the individual enterprise is increased by 100 per cent (something that can, of course, take place over a relatively long period), the results will be the following:



1) Since labour intensity has gone up only at the individual enterprise, it will serve to increase the individual value of labour-power (for it now takes more labour than before to reproduce the labour-power at the given enterprise), but it will have no effect on its social value, since the social conditions for the reproduction of labour-power will remain unchanged. Whereas in the original working-day, which in our example also corresponds to average social conditions of production, the social value of labour-power equalled 4 hours, in a working-day with double the intensity, it comes to 2 hours of individual labour-time, which, however, correspond to 4 hours of social labour (in terms of labour-time of the old intensity: 2 hours $\times 2 = 4$ hours. That is why although outwardly the higher intensity of labour appears to result in the production of relative surplus-value

[1] Ibid.
[2] Ibid.

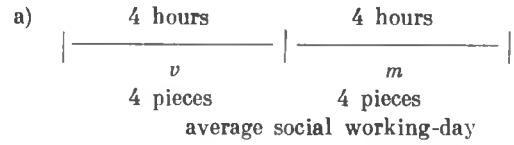
(since the value of labour-time measured in astronomical time has been reduced from 4 to 2 hours), this is, in effect, a specific form of production of absolute surplus-value corresponding to a covert prolongation of the working-day.

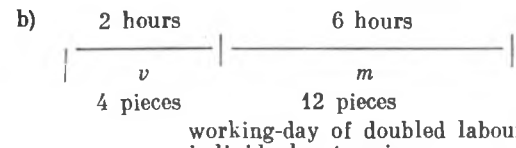
2) Surplus-value will increase from 4 to 6 hours, and in social labour-time of the old intensity—from 4 to 12 hours (6 hours×2=12 hours). The doubling of labour intensity at the individual enterprise results in a trebling of the mass of produced surplus-value, and that is the most important factor behind the unrestrained growth of labour intensity under capitalism.

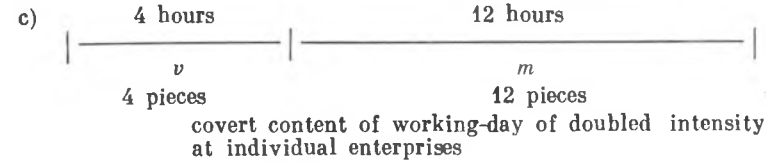
3) The rate of surplus-value, i.e., the ratio of surplus-value to the value of the labour-power ($m' = \frac{m}{v} \times 100\%$), will go up from 100 per cent to 300 per cent, i.e., a threefold increase.

4) The material expression of surplus-value will go up from 4 to 12 pieces.

The fact that an increase in labour intensity at the individual enterprise amounts to a covert prolongation of the working-day and a special way of producing absolute surplus-value becomes manifest when the working-day of the higher intensity is expressed in terms of the labour-time of social labour intensity. The working-day will then appear as follows:







That makes it perfectly clear that an increase in labour intensity is nothing but a covert prolongation of the work-

ing-day and, therefore, a special way of producing absolute surplus-value.

The concrete results will be substantially different when the average social intensity of labour is increased.

If the average social labour intensity is increased, the worker naturally expends more of his labour per unit of time than before, and so produces more use-values accordingly. But the total mass of the new value he produces in the process does not increase because there is no change in the total amount of the labour-time he expends. As before, he incorporates in the commodities he turns out in the course of the working-day, say, 8 hours of his labour, but the fact that his now more intense labour requires greater efforts on his part is immaterial in determining the social value of his product, since the increased labour intensity in that case has affected all the commodity-producers and that to the same extent. The value of commodities is determined, not by the conditions of their production but by the conditions of their reproduction at the given moment, and the fact that an hour of earlier social labour was less intense is of no significance in determining the present exchange proportions, which are determined by labour with a new level of social labour intensity. What does change is only the content of the immanent measure of value, i.e., the hour of labour-time: it incorporates more expenditures of the worker's labour than before. However, since this change applies to the whole of social production, it is not manifested (when considered within the limits of a national economy) in any increase in the total sum of values produced by the worker in the course of the working-day.

For those reasons, average social labour intensity is a component part, or a factor, of the social productive power of labour, so that its rise tends to produce the same effects as a growth of the social productive power of labour.

Considering the effects of increasing individual labour intensity and its transformation into average social labour intensity, Marx says: "If the intensification of labour were to become general, then the value of commodities would fall in proportion to the reduced labour-time which they cost. The degree of intensity would become the average [intensity of labour], its natural quality." [1] This process differs from a growth of the social productive power of la-

[1] Karl Marx, *Theories of Surplus-Value*, Part III, p. 307.

bour as such only in that with the growth of average social labour intensity there is a change in the immanent measure of value, which, however, does nothing to alter the exchange proportions, because it affects the whole of social production.

Consequently, in terms of economic results a rise in the social intensity of labour is equivalent to a growth of the social productive power of labour, and that is why Marx regarded it as a factor behind the production of relative—instead of absolute—surplus-value. He says that, given the length of the working-day, the rate of surplus-value can be raised "only by a change in the relative magnitudes of the components of the working-day, viz., necessary labour and surplus-labour; a change which ... pre-supposes a change either in the productiveness or in the intensity of the labour." [1] Elsewhere he remarks that a growth both in the social productiveness and intensity of labour goes to increase the mass of use-values turned out in a given period of time, and adds: "Both, therefore, shorten that portion of the working-day which the labourer needs to produce his means of subsistence or their equivalent." [2] But the fact is that a shortening of the labour-time necessary for the reproduction of labour-power signifies the production of relative—instead of absolute—surplus-value.

It is another matter when there is a rise in individual labour intensity or in labour intensity in individual branches of production, for then not only are more use-values created in a unit of labour-time, but also a larger amount of new value: "If, however, this only occurs in particular spheres, then it amounts to more complex labour, simple labour raised to a higher power." [3] An hour of such labour creates a greater value, says Marx, than an hour of lower labour intensity: "Only a degree of intensity above the national average affects, in a given country, the measure of value by the mere duration of the working-time." [4]

We find, therefore, that a prolongation of the working-day, like an increase in labour intensity (both at the individual enterprise and in the individual industry) are only different ways, differing in form, of the production of absolute surplus-value, because both are nothing but different

[1] Karl Marx, *Capital*, Vol. I, p. 479.
[2] Ibid., p. 496.
[3] Karl Marx, *Theories of Surplus-Value*, Part III, pp. 307-08.
[4] Karl Marx, *Capital*, Vol. I, p. 525.

manifestations of increasing expenditures of abstract labour (either through an increase in the time of its functioning, or through its intensification in a unit of time).

2. The Wage-Worker's Concrete Labour and the Production of Relative Surplus-Value

The growth of labour productivity with the ever higher efficiency of concrete labour, i.e., as a result of the growing productive power of labour, operates under capitalism as a factor behind the production of relative surplus-value.

One may well ask: what does the productive power of labour, a function of concrete labour, have to do with the production of surplus-value, a function of abstract labour? It is, after all, well known that surplus-value, as such, is created exclusively by abstract labour, while the productive power of labour does not create any new value and its growth tends to reduce commodity-unit value.

Nevertheless, an increase in the productive power of labour under capitalism is tantamount to an increase in the production of relative surplus-value.

Since an increase in the productive power of labour is directly connected with progressive changes only in the useful form of labour, i.e., a rising efficiency of concrete labour, and does not of itself affect labour as the source of value,[1] i.e., abstract labour, it has a different effect on the value and use-value of the commodities produced than does a growing intensity of labour, i.e., an increase in the expenditures of abstract labour per unit of time. That is why it also has a different effect than the growing intensity of labour on the production of surplus-value.

Since a growth in the productive power of labour is nothing but a rise in the efficiency of concrete labour, which is known to be the source of the commodity's use-value, such growth is expressed in an increasing output of use-values. At the same time, the rising efficiency of concrete labour, of the social productive power of labour, does not directly affect abstract labour, which is why the total mass of produced value remains unchanged, and this, for its part, results in a reduction of the commodity-unit value.

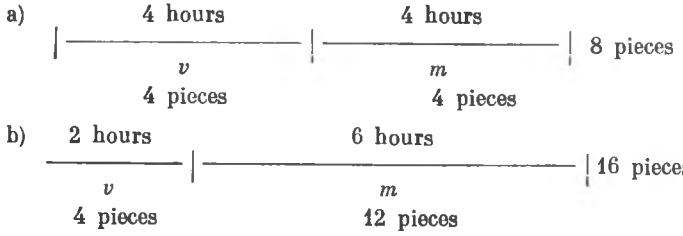
The rising productive power of labour, therefore, tends—in contrast to the increasing intensity of labour—to reduce the commodity-unit value and, consequently, the value of

[1] See ibid., p. 53.

labour-power, which is why it is connected with the production of relative, instead of absolute, surplus-value.

Here there are also two possible cases: a growth in the productive power of labour, and so also in the production of relative surplus-value, at the individual enterprise, and in the society on average.

If the social productive power of labour is increased (say, twice over), the results will be as follows:



1) The value of labour-power is halved (from 4 to 2 hours). At this stage we ignore the growth of the worker's socially normal requirements arising from the greater productive power of labour and producing a tendency towards an increase in the value of labour-power. [1]

2) The reduction in the value of labour-power causes a growth of surplus-value (from 4 to 6 hours) and an increase in the exploitation of the proletariat.

3) There is an increase not only in the mass of surplus-value (by 50 per cent), but also in its rate (from 100 to 300 per cent).

4) The material expression of surplus-value is also increased (from 4 to 12 pieces).

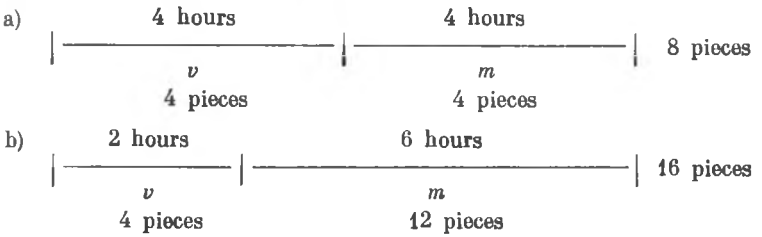
It is evident that although the greater productive power of social labour has not increased the total mass of value produced, it has acted as a factor in the production of surplus-value in the sense that it has cheapened the labour-power, i.e., reduced its value, thereby altering the proportion of the constant volume of new value created by abstract labour (8 hours) going to the bourgeoisie (from 4 to 6 hours) at the expense of the working class (from 4 to 2 hours).

We find, therefore, that while operating as a factor in the production of relative surplus-value, the productive pow-

[1] This aspect of the problem will be considered in the analysis of wages under capitalism in the following chapter.

er of labour does not lose its quality as a function of concrete labour. Indeed, as such the productive power of labour actually turns out to be capable of altering the proportion in the distribution of the newly-created value in favour of the bourgeoisie and so acting as a factor in the production of relative surplus-value. It goes without saying that the productive power of labour operates in that way only in conditions dominated by capitalist property in the means of production.

A doubling of the productive power of labour at an individual enterprise will have the following results:



1) The greater productive power of labour will reduce the individual value of labour-power at the given enterprise (from 4 to 2 hours), while the social value of labour-power will remain the same, at 4 hours (assuming that the diagram a) corresponds to the social conditions of production), since there is no change in the social conditions of the reproduction of labour-power.

2) Here we find a paradox: the greater individual productive power of labour leads not only to a greater mass of use-values, which fully accords with the nature of that function of concrete labour, but also to a greater mass of newly-created value. Indeed, the value-equivalent of the constant value of labour-power equal to 4 hours is reproduced—at that enterprise—only in 2 hours, a result which appears to be unexpected, since nothing seems to have changed from the standpoint of abstract labour at that enterprise.

The greater productive power of labour has increased the newly-created value at that enterprise because abstract labour has a strictly social character. It is not individual but socially necessary expenditures of labour that determine the social value of the commodity, and since the socially necessary expenditures of labour do not change as a result of the changed conditions of production at some individual

enterprise (as in our example), the unit value of the commodities produced there remains unchanged. That being so, all the enterprise has to do to produce more social values, whose magnitude is determined "behind the commodity-producer's back", is to increase the output of use-values. In that case, the use-value assumes the role of its opposite—value—and one is left with the impression that concrete labour is the source of value. But here again concrete labour is, in effect, the creator only of use-value, while abstract labour, which has a social character, is the source of value.

The assumption here is that the individual enterprise either has no effect on the social conditions of the production of commodities and labour-power, or it is so insignificant that it can well be ignored.

2. The reduction of the individual value of labour-power (from 4 to 2 hours) will lead to an absolute and relative increase in surplus-value. The mass of surplus-value will go up from 4 to 6 hours in terms of astronomical time, and from 4 to 12 hours in terms of economic time, because 1 hour of doubly productive labour at the individual enterprise (as compared with average social conditions) creates a value corresponding to 2 hours of socially necessary labour (6 hours$\times 2=12$ hours).

3) As a result, the rate of surplus-value will go up from 100 to 300 per cent ($6/2\times 100\%$ or $12/4\times 100\%$).

4) The material expression of surplus-value will go up from 4 to 12 pieces.

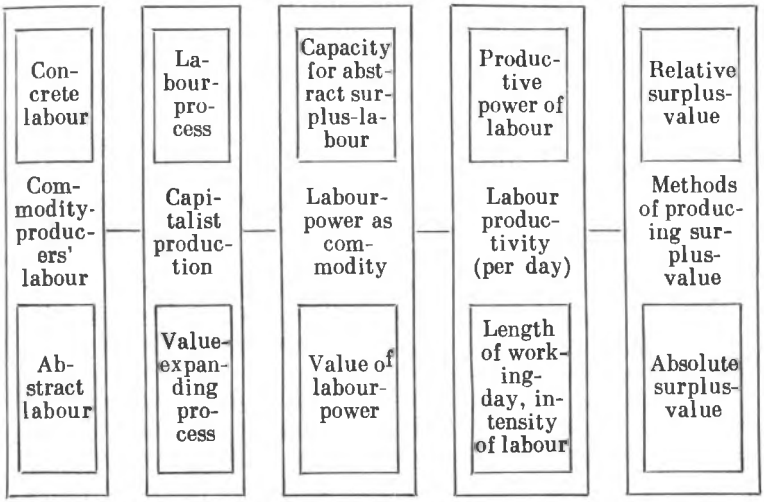
Since the surplus-value in this case increases as a result of the shortening of the time necessary for reproducing labour-power in consequence of the higher productive power of labour, we have here the production of relative surplus-value.

But that is a special instance of the production of relative surplus-value because it occurs only at individual capitalist enterprises in different periods, depending on which enterprise manages to forge ahead in raising the productive power of labour, which is why the surplus-value produced by means of this method supplementing the production of relative surplus-value is known as excess, or extra, surplus-value.

Consequently, the dual nature of the commodity-producers' labour under capitalism which determines the dual methods in raising labour productivity and the two-fold

character of capitalist production, of necessity predetermines the duality of methods in the production of surplus-value as well.

Fig. 27



The methods used in producing surplus-value are closely bound up with the forms in which labour is subordinated to capital, and their analysis shows that these forms are likewise two-fold.

3. The Subordination of Labour to Capital: Formal and Real

The problem of labour's subordination to capital springs from the specificity of capitalist exploitation, notably the fact that the object of exploitation is labour-power that has nominally personal freedom in law. Marx's doctrine on the methods by which labour is subordinated to capital shows how the personally free labour-power finds itself actually enslaved by capital and turned into material subjected to the most brutal exploitation.

The dual methods of capitalist exploitation are based not only on the dual methods used in increasing commodity output, but also on the *two-fold forms in which labour is subordinated to capital.* Let us recall that Marx reduced the

whole range of forms in which labour is economically subordinated to capital to two main ones: the formal and the real. This approach sprang from the significant Marxist methodological concept of the mode of production and its two organic aspects—the productive forces and the relations of production—and ultimately from the distinction between concrete and abstract labour.

By labour's formal subordination to capital Marx meant all the manifestations of the workers' economic enslavement which stem directly from the socio-economic form of the capitalist society, i.e., from the capitalist relations of production, which is the only sense in which it is a formal subordination. Marx says: "I call the form resting on absolute surplus-value the *formal subordination of labour to capital*, because it differs no more than *nominally* from the earlier modes of production, from which it directly originates." [1] Elsewhere Marx describes it as a direct subordination of labour to capital, irrespective of the technological specifics of that labour-process. [2]

In content, labour's formal subordination to capital is highly essential and effective, because it includes the relations of the proletariat's dependence on the bourgeoisie directly stemming from the divorce of the actual producers (among them industrial workers and agricultural proletarians) from the means of production, the concentration of the means of production in the hands of the bourgeoisie, and the transformation of labour-power deprived of any sources of livelihood into a commodity. All these circumstances, which follow directly only from the capitalist form of production, and ultimately from the capitalist—and so inherently commodity—form of the labour-product, merely constitute a more developed form of value's domination over use-value, i.e., the domination of abstract labour over concrete labour.

Labour's formal subordination to capital is directly connected with the production of absolute surplus-value, for prolongation of the working-day and intensification of labour as ways of producing surplus-value, in themselves imply that no qualitative changes occur from the standpoint of concrete labour, and likewise from the standpoint of the labour-process. There the increase in surplus-value originates directly from the subordination of the earlier shap-

[1] *Marx-Engels Archives*, Vol. II (VII), p. 100.
[2] See ibid., pp. 116, 118.

ed labour-process to the capitalist relations of production. Concerning labour's formal subordination to capital and the production of absolute surplus-value, Marx says: "On the basis of the existing mode of labour, i.e., the *given* development of the productive power of labour ... surplus-value can be produced only through a *prolongation of labour-time*, which means in the form of *absolute surplus-value*. That is why it is only this form of production of surplus-value that corresponds to labour's formal subordination to capital." [1] At the same time, Marx establishes a link between labour's formal subordination to capital and the growing exploitation of the working class also through an intensification of its labour. [2]

The thrust of all that evidence is that labour's formal subordination to capital presents itself directly as a function of abstract labour.

Since labour's formal subordination to capital springs directly from the capitalist form of social production as such, it is, on the one hand, a general, and on the other, a specific form of labour's subordination to capital in contradistinction to its real subordination to capital. As for labour's subordination to capital, Marx notes: "It is the *general form* of any capitalist process of production; but it is also a *specific* form alongside the developed *specifically capitalist mode of production*, since the latter comprises the former, while the former does not necessarily comprise the latter." [3]

That means that labour's formal subordination to capital is inherent in capitalism at every stage of its development, and to assume that at some stage it disappears and literally gives way to labour's real subordination to capital is tantamount to asserting that at that stage the capitalist relations of production have ceased to be a direct force converting the workers into the object of capitalist exploitation, while the methods of producing absolute surplus-value have become a thing of the past. That would be ignoring labour's formal subordination to capital as a "general form of any capitalist process of production" and its recognition merely as a specific form of such production. At the various stages in the development of capitalism, the relative role of the formal and the real subordination of labour to capital is not, of course, the same. Labour's formal subordination to cap-

[1] *Marx-Engels Archives*, Vol. II (VII), pp. 92, 94.
[2] See ibid., pp. 100, 102 et al.
[3] *Marx-Engels Archives*, Vol. II (VII), p. 90.

ital has the leading role to play before capitalism has transformed the labour-process, i.e., at the stage of simple cooperation, but as the methods of producing relative surplus-value develop, real subordination takes over.

However, what could be called the absolute importance of labour's formal subordination to capital has a tendency to grow with the development of capitalism, as the bourgeoisie increasingly monopolises the means of production. Marx says that ranged against the wage-worker as capital monopolised by the buyer of his labour-power are both the objective conditions of labour (means of production) and the subjective conditions of labour (means of subsistence), and adds: "The greater the extent to which these *conditions of labour* confront him as alien property, the more fully is there a formal *relation between capital and wage-labour,* and so, the fuller labour's formal subordination to capital, the condition and prerequisite for *real* subordination." [1]

That Marxian proposition is highly significant for analysing the peculiar development of labour's formal subordination to capital in view of the assertion of the capitalist monopolies' domination in the epoch of imperialism, and the subsequent growth of monopoly capitalism into state-monopoly capitalism. What confronts the working class as state-monopoly property in the means of production is not only the property of the individual capitalist, but also of the entire class of capitalists, above all its monopoly elite. The class character of the capitalist relation of exploitation assumes direct forms. At the same time, the new stage in the capitalist socialisation of production connected with the transition to the mature system of state-monopoly capitalism and the impact of the latter on the simple labour-process and the value-expanding process, notably in the form of state regulation and programming of the capitalist economy, generate specific forms of labour's formal and real subordination to capital.

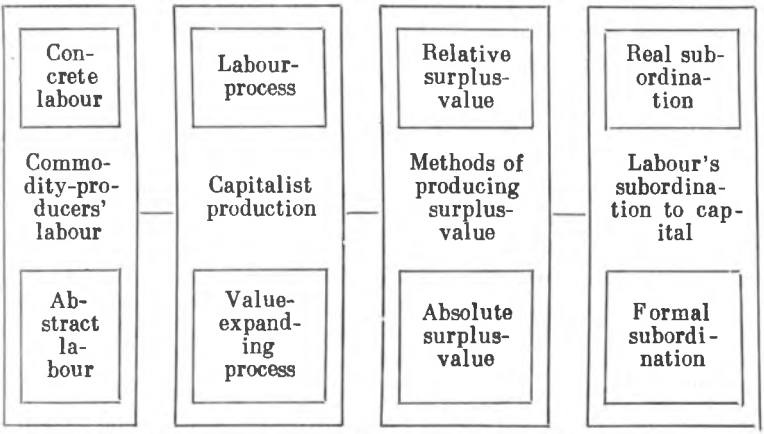
What Marx meant by labour's real subordination to capital were all the relations of the proletariat's dependence on the bourgeoisie which are engendered in the real labour-process—the process in which use-values are produced—and which under the domination of the capitalist relations of production present themselves as the enhanced power of capital and the growing power of capital over labour. That

[1] *Marx-Engels Archives*, Vol. II (VII), p. 102; see also p. 156.

form of labour's subordination to capital is exemplified by the division of labour in manufactory, and to an even greater extent by the machine division of labour, which reduces the worker's labour to a partial operation that has no independent significance outside the given manufactory or plant, thereby chaining the worker to capital, which converts the worker into a detail worker, into an appendage of the machine. It will be easily seen that this form of labour's subordination to capital has as its source the above-mentioned changes in the worker's concrete form of labour which enhance the productive power of social labour.

Labour's real subordination to capital is, therefore, a function of concrete labour under the domination of capitalist property in the means of production, and that is why it, in fact, coincides with the methods of producing relative surplus-value and develops together with them. Marx says: "Labour's real subordination to capital tends to develop in all the forms which generate relative surplus-value in contrast to absolute surplus-value"[1] (see Fig. 28).

Fig. 28



It follows that any rise in the productive power of the wage-workers' labour under capitalism, i.e., any progress in the development of hardware, labour organisation and the technological application of science, amounts to increasing

[1] *Marx-Engels Archives*, Vol. II (VII), p. 120.

exploitation of the workers and greater real subordination of labour to capital. That is why the development of the productive forces under capitalism has for its socio-economic content the unfolding, deepening and sharpening of the antagonistic contradictions of the capitalist mode of production. In this context, it is highly interesting to analyse the concrete forms of labour's real subordination to capital under the impact of developing capitalist machine-production—the advance from multi-purpose to specialised machine tools, and from mechanical equipment to automation, the development of conveyor-based production, the introduction of cybernetics and robots into production, the application of the achievements of the on-going scientific and technical revolution, and so on, and also to analyse the counteracting factors connected with the universalisation of labour-power, its capacity to switch between forms of labour activity, the working-class struggle against capitalist exploitation, and so on.

The dual nature of labour is, therefore, closely bound up with the dual methods used in boosting commodity output, the dual forms in which labour is subordinated to capital, and of the methods by which surplus-value is increased. Marx says: "Two different forms of labour's subordination to capital correspond ... to the two forms of surplus-value —absolute and relative." [1]

[1] *Marx-Engels Archives*, Vol. II (VII), p. 100.

Chapter Five

TWO ASPECTS OF WAGES UNDER CAPITALISM

Marx's doctrine of the dual nature of the commodity-producers' labour gives the clue to the substance of the workers' wages, a complex phenomenon of the capitalist economy.

1. Nominal and Real Wages

Under capitalism, the commodity form of labour-power becomes predominant (as a result of the release of the direct commodity-producers both from personal dependence and from the means of production, and the development of commodity relations under private capitalist property), so that together with it wages also develop as a specific form in which the value of labour-power is expressed.

Let us recall that as a specific phenomenon wages originated under the slave-holding system reflecting the sporadic conversion of labour-power into a commodity. Plato, for instance, says in his description of the social structure of the society that there are some who "sell their work for a price".[1]

Wages under capitalism are a converted form of the value and price of labour-power, a special kind of commodity. Wages are the expression of the two-fold conversion of the value of labour-power in the sense that, first, that value, which is determined by the socially necessary labour-time, initially assumes the converted form of the price of the labour-power (the magnitude of the future payment fixed in the contract at the hiring of the labour-power),

[1] *Plato's Republic*, The University Press, Cambridge, 1966, p. 45.

which is established even before the labour-power is involved in the process of production, and which is expressed in ideal money, as is generally the case when money performs its functions of measure of value; second, once the labour-process is completed, the price of the labour-power, for its part, acquires the converted form of wages appearing on the surface of things in the distorted and irrational form of "the price of labour" that tends to obscure the exploitation of wage-labour by the bourgeoisie.

This could be graphically shown as follows:

1) The value of labour-power expressed in hours of necessary labour-time and embodied in the living worker

2) The price of labour-power as fixed at the hiring of labour-power and expressed in ideal money

3) The value created by labour-power in production

4) Wages as the irrational money expression (as the "price of labour") of the value and price of labour-power

Consequently, wages are the money expression (even if in the irrational form of "price of labour") of the value and price of labour-power, which goes to create the illusion that the whole of the worker's labour is fully paid for, and that capital does not exploit labour. In actual fact, however, what the worker sells is not his labour, but his capacity for labour, i.e., his labour-power, of which nominal wages are the converted form of value and price.

Wages are, therefore, the direct money nominal wages, that is, a definite sum of money which the worker receives from the sale of his labour-power.

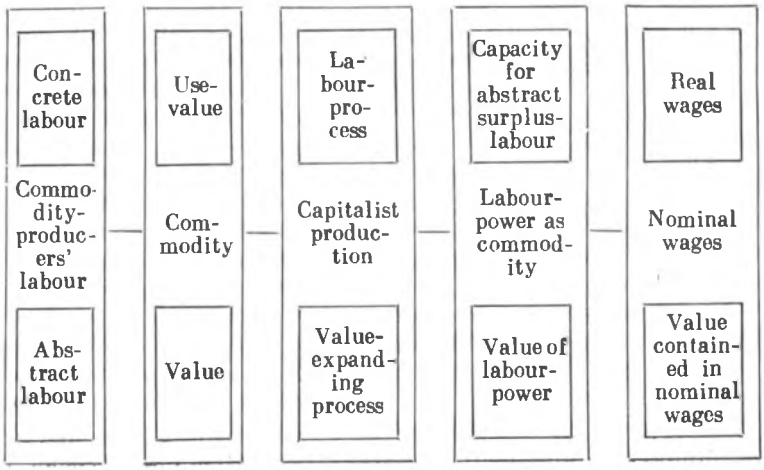
Like any phenomenon of the commodity economy, *nominal wages have two aspects: value and material (natural).*

Considered from the standpoint of value, nominal wages are an expression of the value of labour-power in money form. This emphasis on the value aspect of nominal wages is most essential because wages are regulated by the value of labour-power through the value incorporated in wages, so that a change in the value of labour-power has a direct effect on the value represented in nominal wages, and through it on the amount of use-values the worker receives in exchange for his nominal wages. That is why Marx and Engels believed it to be necessary to single out the category of "value of wages", having in mind the magnitude of value in the wage-labourer's wages.[1] The use of this term is necessary in view of the lag of the value incorporated in wages behind the value of labour-power.

The other, material (natural) aspect of nominal wages consists of the amount of use-values that can be purchased for the given nominal wages, and constitutes real wages. Consequently, the actual real wages merely represent the amount of use-values that can be obtained in exchange for nominal wages.

The *dual nature of wages* may be graphically presented as follows:

Fig. 29



[1] See Karl Marx, *Capital*, Vol. II, pp. 379, 381; see also Karl Marx, *Theories of Surplus-Value*, Part I, pp. 94-95; Part II, p. 400.

Other conditions being equal, real wages directly depend on the magnitude of nominal wages (directly proportional) and on the level of consumer prices (inversely proportional).

The distinction in nominal wages of the value contained in them, and the amount of use-values potentially represented in nominal wages accords with the socio-economic nature of the phenomenon, and is of essential importance in analysing the quantitative uniformities of the movement of wages depending on changes in the value of labour-power.

2. Contradictions in the Movement of the Value of Labour-Power, and of Nominal and Real Wages under Capitalism Today

There has been a characteristic growth of the cost of living under contemporary capitalism, with the prices of consumer goods and services being spiralled by the monopolies, rents increased and taxes raised. The growth in the cost of living has had a tendency to accelerate: from 1961 to 1970, the cost of living in the developed capitalist countries increased at an average of 3.4 per cent a year, and from 1971 to 1979—at 8.6 per cent a year. In 1979, the rate of inflation was 13 per cent in the United States, 12 per cent in France, and 15 per cent in Britain. Consumer prices in the United States went up by 12.4 per cent in 1980, and by 8.9 per cent in 1981. In 1984, the consumer price index in the United States was 311.1 (1967=100); in Britain—565.1; Italy—698.8; France—439.5; and Japan —316.6.[1] The working masses have voiced ever more resolute demands for higher wages, democratic control over pricing, and a check on the monopolies. The on-going strike struggle by the working class testifies to its growing organisation as it ever more frequently acquires the character of labour's nation-wide struggle against capital. The economic struggle by the working class in the developed capitalist countries increasingly tends to develop into a political struggle against the foundations of the capitalist system, namely, the bourgeoisie's monopoly of the means of production and political power in the capitalist society.

[1] See *Mirovaya ekonomika i mezhdunarodniye otnosheniya*, No. 8, 1979 (Supplement), p. 7; *Economic Indicators*, February 1985, pp. 23, 35.

The relation between the value of labour-power and wages is one of the most complicated problems in the contemporary capitalist economy. It appears at first sight that wages are not regulated by the value of labour-power in view of the glaring paradox of the value of labour-power and its price, i.e., wages, moving in opposite directions.

On the one hand, theoretical conclusions and statistical data, including those on growing labour productivity, show that the main tendency in the change of labour-power value, which makes headway through various deviations and departures, is a tendency towards its reduction due to the growing productive power of social labour, which is the overall result of the operation of numerous and often contradictory factors.[1]

On the other hand, statistical data in the developed capitalist countries taken over a long period indicate that the movement of both nominal and real wages does not reveal a tendency towards anything like systematic decline, as could have been expected in the light of the movement of labour-power value. What is more, there is every reason to assume that the main tendency in the movement of average nominal and real wages, which reveals itself in a scrutiny of long periods of time, is an upward tendency (which does not rule out unevenness of growth over time

Table6

Average Weekly Earnings in Selected Private Non-Agricultural Industries (1972-1984) (1972 = 100)

1972	1973	1974	1975	1976	1977	1978
100	99.9	95.8	92.8	94.2	95.2	95.4
1979	1980	1981	1982	1983	1984	
92.4	87.1	85.7	84.6	86.3	87.4	

Sources: Economic Report of the President, Washington, 1982, p. 277; *Economic Indicators*, February 1985, p. 15.

[1] That is not to say, of course, that in some periods labour-power value cannot increase, say, due to the intensification and growing complexity of labour, whenever such growth is not counteracted by a rising productive power of social labour.

and in the various countries, as also considerable declines over definite and frequently fairly long periods). US statistics, for instance, show that average weekly real wages in the non-agricultural sector of the economy in the post-war period have increased, but their growth was frequently interrupted by long periods of decline, including the period from the early 1970s to the early 1980s.

The table shows that real wages in 1972 through 1984 were lower than the 1972 level and, according to official data, were in 1984 12.6 per cent down on the 1972 figure. This is one of the numerous manifestations of the drive on the positions of the working class, including what is known as Reaganomics, mounted by US ruling circles in the early 1970s.

If it is true, then, that the main tendency for the value of labour-power is to fall, and that for real and nominal wages to rise, how are these processes connected with the law of the value of labour-power regulating the movement of wages as the converted form of the value and price of labour-power?

But before trying to answer the question, let us see whether such an economic paradox does in fact exist. Some analysts have suggested that the main tendency of labour-power value is its growth, which is why workers' wages tend to go up, so that there is no discrepancy, let alone contradictory movement of the value of labour-power and of its price, i.e., wages.

That view appears to be theoretically unconvincing, for it is based on a number of assumptions that are not really formulated and are simply implied, including the premise that growing intensity and not productive power of labour is now the crucial factor behind the growing output of commodities in a unit of time in the developed capitalist countries over a long series of decades.

But even with such an assumption, the value of labour-power will not necessarily tend to increase, for after all as labour is intensified the value of a commodity-unit does not increase but remains unchanged, although the quantity of the commodities being turned out in a unit of time goes up, together with the total value produced. That means that the commodity-unit value is ultimately reduced, since there is a growth in the productive power of labour together with its growing intensity.

In actual fact, it is not the growing intensity but the

productive power of social labour that is the principal factor behind the growing output of commodities per unit of time, and this crucial importance of the productive power of labour is determined by the fact that its potentialities are virtually boundless, whereas there are social and physiological limits to intensifying labour.

It would be wrong, however, to underestimate the importance of labour intensification as a key instrument for increasing labour productivity and so intensifying the exploitation of workers under capitalism. There are some reserves for intensifying labour, such as changing the structure of the workers' labour inputs, by making him expend more mental and nervous efforts and less physical efforts. Labour can also be markedly intensified through a reduction in the length of the working-day. Growing intensity of labour is especially desirable for the bourgeoisie because it helps to increase output without any considerable additional outlays of capital. However, the greater productive power of labour is the crucial factor determining the changing value of commodities, and thereby also of labour-power.

Another assumption is the growing complexity of the labour performed by contemporary labour-power, with the conclusion that the production of complex labour-power requires an increase in the expenditures of social labour, which goes to increase the value of labour-power. Let us recall that, in a unit of time, complex labour creates a greater value than does simple labour, which is why it is assumed that a rise in the complexity of labour makes it possible to reproduce the growing value of labour-power in a shorter working-time than before, with the consequent assumption that the value of labour-power will increase in absolute terms, and decrease in relative terms—within the structure of the working-day, so resulting in an absolute and relative increase in surplus-value.

Such an approach seems to provide an explanation for the whole set of facts bearing on the movement of the value of labour-power and real wages. Indeed, if the value of labour-power grows in absolute terms as a result of the growing complexity of labour, real wages will naturally have a tendency to grow, and if the value of labour-power is relatively reduced in the process, surplus-value grows in absolute and relative terms, and that is expressed in both the growth of the rate and mass of surplus-value and of the mass of capitalist profits.

However, the reference to the growing complexity of labour, which does in fact take place, fails to explain the said relation chiefly because it ignores—like the former assumption emphasising the growing intensity of labour—what is most important, namely, the growth of the productive power of social labour in consequence of the growing complexity of that labour and a number of other factors. What is overlooked is the fact that the growing complexity of labour testifies to a qualitatively new level in the development of the productive forces which determines the much faster development of the productive power of social labour as compared with the expenditures of labour for the training of complex labour-power. Calculations indicate that the growing complexity of labour-power, the consequent increase in the expenditures of labour, and the growth of the workers' socially necessary wants tend to slow down the decline in the value of labour-power, instead of increasing it. [1]

The thesis concerning the growing value of labour-power as the main trend in its development entails a number of consequences which cut across both the mass of facts presented by the capitalist reality, and the propositions of economic theory.

Assuming that the value of labour-power tends to grow, one has evidently to recognise that either the value of the articles of consumption has a tendency to increase over long periods of time, or the volume of the workers' satisfied wants tends to grow faster than the rise in labour productivity, or that the value of labour-power has lost its law-governed connection with the level of the society's productive forces. There are no adequate grounds for any of these conclusions. The value of labour-power, like that of any other commodity in the capitalist society, is inversely proportional to the changing productive power of social labour, even if labour-power, as a specific commodity, has a number of essential peculiarities with respect to that relation as well. Decreasing labour-power value is the most important economic basis for the functioning of capitalist production, whose purpose is relentlessly to intensify the exploitation of the proletariat and increase both the mass and rate of surplus-value. But increasing the production of relative surplus-value is the most crucial way for intensifying the

[1] See *Contradictions of Contemporary Capitalist Production*, Mysl Publishers, Moscow, 1971, pp. 257-75 (in Russian).

exploitation of the proletariat. Marx says: "The value of commodities is in inverse ratio to the productiveness of labour. And so, too, is the value of labour-power, because it depends on the values of commodities. Relative surplus-value is, on the contrary, directly proportional to that of productiveness. It rises with rising and falls with falling productiveness. ... Hence there is immanent in capital an inclination and constant tendency, to heighten the productiveness of labour, in order to cheapen commodities, and by such cheapening to cheapen the labourer himself." [1]

The bourgeoisie's urge to reduce the value of labour-power, to cheapen it and so to create favourable conditions for the accumulation of capital by increasing the mass and rate of surplus-value is one of the most important reasons for which capitalist industrialisation began to develop in the light, instead of the heavy industry. The development of the light industry proved to be profitable from the standpoint not only of the individual capitalists (since the turnover of capital in that sector of production is faster), but also of the whole class of capitalists, the "Masonic Brotherhood" exploiting the working class.

The assumption of a growth in the value of labour-power contradicts both the substance and the most significant effects of the law of surplus-value. If the socially necessary labour-time required for the reproduction of labour-power is increased over a long period, surplus labour-time should, consequently, be reduced accordingly, and with it also the rate of surplus-value and the absolute and relative exploitation of wage-labour, especially under a shorter working-day. However, the data on the movement of the mass and rate of surplus-value show that these are not decreased but increased, and that the exploitation of the working class has been growing.

A growing value of labour-power would narrow down the potentialities for expanded capitalist reproduction. As necessary labour-time lengthened and surplus labour-time shortened, together with a reduction of surplus-value, a tendency would sooner or later have to arise towards a relative reduction in the accumulated part of surplus-value, something that directly tends to reduce the volume of accumulation and the rate of expanded reproduction, i.e., leads to a substitution of simple for expanded capitalist reproduc-

[1] Karl Marx, *Capital*, Vol. I, p. 303.

tion. Here it is important to bear in mind that what is involved is the value of reproducing only that part of the worker's labour potentialities which he sells as a commodity to the capitalist, and not the whole aggregation of the potentialities of which the worker is actually in possession, let alone the socially normal requirements of the individual's all-round development.

The rate of expanded capitalist reproduction is, indeed, a low one relative to the potentialities latent in the productive forces, but that is so not because workers' wages are "extremely high", with a consequent inadequate accumulation of money capital, as bourgeois economists claim. In actual fact, present-day capitalism is characterised, on the one hand, by an excess of uncommitted money capital, and on the other, by an over-accumulation of real capital in the productive and commodity forms. So the point is not some shortage of capital or an inadequate volume of surplus-value for the needs of capital accumulation, but that the contradictions of the capitalist economy tend increasingly to hamper the conversion of the money form of capital into its commodity and productive forms, and especially from the commodity to the money form.

That drives home the conviction that the main tendency in the movement of the value of labour-power is its reduction as a result of the rising productive power of social labour, which tends to reduce the value of the articles of consumption.

What then is the movement of the workers' real wages over a lengthy period of time? Does it follow in the wake of the value of labour-power?

The available data indicate that the tendency towards a growth in the workers' real wages, above all in the developed capitalist countries, does after all make headway through the numerous departures and deviations, and often through protracted reverse movements as well. Meanwhile, over the past several decades, output per worker in these countries has multiplied several times over.

These data, ranging over three decades, show that the real wages of US workers have mostly lagged behind their labour productivity. The widening gap between the value of labour-power and real wages appears to be perfectly obvious.

The growth of real wages (an extremely inadequate one from the standpoint of the workers' increasing socially

necessary wants) is quite natural. The quantitative and qualitative development of labour-power is the most important form in which the society's productive forces devel-

Table 7

Labour Productivity and Real Earnings in Selected Non-Agricultural Industries in the United States (1950-1984)

	1950	1955	1960	1965	1970	1975	1980	1982	1983	1984
Labour productivity	100	111	121	142	154	168	174	177	183.4	189.2
Real earnings	100	114	123	136	139	137	129	125	127.8	129.4

Sources: Economic Report of the President, Washington, 1983, pp. 207, 208; *Economic Indicators*, February 1985, pp. 15, 16 (author's calculation).

op, with labour-power as their crucial component. From that standpoint, the rise in the workers' consumption level presents itself as an inevitable and objectively necessary expression of the development of the productive forces, and as a key component element of expanded social reproduction.

From this it follows, in particular, that this element of the productive forces is likewise under the dragging influence of the relations of private property in the means of production, as will be seen, for instance, in the inherent capitalist tendency to curtail workers' consumption and reduce the workers' real wages. Marx says: "The general tendency of capitalist production is not to raise, but to sink the average standard of wages." [1] But against this tendency of capitalist production there are a number of countervailing factors, among them the workers' growing socially necessary wants, and their resistance to the bourgeoisie's urge to lower the workers' wages and living standards. That is why capitalism is incapable of halting the growth of workers' consumption, i.e., of real wages, as it is incapable of stemming the development of the productive forces generally. It is only capable of slowing down that development, so considerably depressing production and workers' consumption over a relatively long period. However, it is incapable of

[1] Karl Marx, "Wages, Price and Profit", in: Karl Marx and Frederick Engels, *Selected Works* in three volumes, Volume Two, Progress Publishers, Moscow, 1969, p. 75.

altogether preventing the growth of both the one and the other.

Lenin says: "The development of capitalism inevitably entails a rising level of requirements for the entire population, including the industrial proletariat." [1] What leaps to the eye is that it is phenomena characterising rather the development of capitalism's productive forces than its inherent and specific capitalist relations of production, that operate as the factors behind the rise in requirements. What is more, these are processes counteracting the predatory tendencies of capitalist exploitation. In this context, Lenin says: "This rise is created in general by the increasing frequency of exchange of products, which results in more frequent contacts between the inhabitants of town and country, of different geographical localities, and so forth. It is also brought about by the crowding together, the concentration of the industrial proletariat, which enhances their class-consciousness and sense of human dignity and enables them to wage a successful struggle against the predatory tendencies of the capitalist system." [2]

Real wages tend to grow because capitalism does not have the strength to prevent their growth. The tendency towards a reduction of workers' consumption stemming from the very substance of capitalism and the gearing of capitalist production to the maximisation of profits, is opposed by the objective need to develop the social productive forces, including labour-power, its principal element. This need is, in fact, expressed in the proletariat's resolute struggle for an improvement of its material condition, and ultimately for the abolition of capitalist relations of production. The proletariat's economic and political struggle is a major manifestation of the sharpening basic contradiction of capitalism and the growing revolt of the productive forces against the capitalist relations of production which constrain their development.

Consequently, a decline in the value of labour-power and a growth of wages are the main tendencies in the movement of the value of labour-power and of workers' wages. How is one to explain the opposite movement in the value and price of that specific commodity of the capitalist society?

There is nothing surprising in the fact that the value

[1] V. I. Lenin, "On the So-Called Market Question", *Collected Works*, Vol. 1, p. 106.

[2] Ibid.

of labour-power and its price, i.e., wages, tend to move in opposite directions under the impact of the growing productive power of social labour.

Since labour-power is a commodity under capitalism, its movement is largely determined by the general laws of the commodity world. The value of a commodity, it will be recalled, is in inverse proportion to the productive power of social labour, a fact which springs from the very nature of that phenomenon as an expression of the efficiency of concrete labour. That is why, with the growth of the productive power of labour, there is an increase in the amount of use-values produced per unit of time, on the one hand, and a decline in the commodity-unit value, on the other. Marx says: "An increased quantity of material wealth may correspond to a simultaneous fall in the magnitude of its value. This antagonistic movement has its origin in the two-fold character of labour." [1]

So it is the very nature of the productive power of labour, expressing as it does the efficiency of the commodity-producer's concrete labour, and the dual nature of his labour as a whole that makes for the law of the opposite movement of the commodities' value and use-value as the productive power of labour grows.

These same uniformities—in a modified form, it is true—also apply to labour-power as a specific commodity of the capitalist society, which is why there again the dual-nature-of-labour doctrine must be the starting point of any analysis.

In the process of expanded capitalist reproduction, with the growing productivity of social labour and the accumulation of capital, there is a numerical growth of labour-power, i.e., of the quantity of that specific commodity, while the value of the labour-power unit tends to decrease. In the process, some highly essential peculiarities are acquired by the general law of the opposite movement of the commodities' value and use-value as applied to labour-power as a specific commodity. One of these is that together with the growing productive power of social labour and the decrease in the value of labour-power, there is a law-governed change in the relative expression of the value of labour-power in the use-value of the articles of consumption. The point is that the value of labour-power tends to fall more slowly than the value of the articles of consumption, which is why

[1] Karl Marx, *Capital*, Vol. I, p. 53.

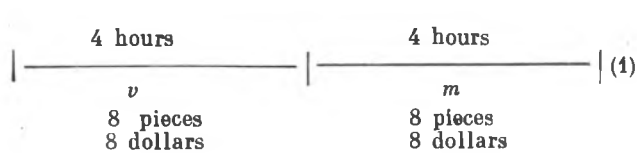
there is an increase in the relative expression of the value of labour-power in the sum of the use-values of these commodities, and ultimately, if the working class succeeds in achieving it in fierce struggle against the bourgeoisie, in rising real wages.

This peculiar movement of the value of labour-power rests on the fact that the value of labour-power tends to be influenced by two main factors: the productive power of social labour, on the one hand, and the volume of the workers' socially necessary requirements, on the other, whereas only one of these factors—the productive power of labour—has an effect on conventional commodities. Let us note that the growth of the socially necessary requirements tends to slow down the decline in the value of labour-power, and since that factor has no influence on the value of other commodities, the relative expression of the shrinking value of labour-power in the articles of consumption, whose value tends to decline much faster, has a tendency to increase.

Real wages, as a specific phenomenon, have the peculiarity that they represent a commodity-equivalent of the value of labour-power, i.e., they present themselves directly only as a definite sum of use-values, namely, as the sum of the use-values which the worker ultimately receives in exchange for his labour-power. The important thing to emphasise here is that quantified real wages are equal to the full commodity-equivalent of the value of labour-power only if the labour-power is paid for at value.

Those are the peculiarities of real wages that contain within themselves the possibility of their deviation from the value of labour-power, i.e., the possibility of the value of labour-power and real wages moving in opposite directions.

Consider the following example by way of illustration. Assuming that an 8-hour working-day falls into two equal parts: 4 hours of necessary, and 4 hours of surplus labour-time, the value of labour-power makes up 4 hours of socially necessary labour-time, and the surplus-value, likewise 4 hours. The rate of surplus-value equals 100 per cent. In the course of the working-day, 16 pieces (articles) are pro-



duced: 8 pieces in the first half, and 8 in the second half of the working-day.

The per-unit value of the commodity being produced equals 0.5 hours. The daily price of the labour-power, i.e., the nominal wages, come to 8 dollars, and the surplus-value in cash terms, likewise to 8 dollars. The sum of the prices of the commodities produced by the worker in the course of the day adds up to 16 dollars. Those are the initial conditions.

Let us assume that the productive power of social labour, other conditions being equal, is doubled. For the sake of simplicity, let us assume that the value of all the commodities, including labour-power, is, in consequence, also reduced to one-half. What then is the change to be expected in the structure of the working-day, the rate and mass of surplus-value, and the nominal and real wages, i.e., the monetary and commodity expression of the value of labour-power? The structure of the working-day presents the following picture.

2 hours	6 hours	(2)
v	m	
8 pieces	24 pieces	

The value of labour-power has been halved. Accordingly, the mass of surplus-value has gone up by 50 per cent (from 4 to 6 hours), while the rate of surplus-value has trebled ($6 : 2 \times 100\% = 300\%$). The quantity of commodities turned out in the course of the day has doubled (from 16 to 32 pieces), while the commodity-unit value has been halved (from 0.5 to 0.25 hours). In view of our assumption that the prices of commodities, including labour-power, do not deviate from their values, and that they are reduced to the same extent as the commodity-values, the cash expression of the value produced by the worker will remain at 16 dollars, while the price of a comodity-unit will be halved, from 1 dollar to 50 cents. The workers' daily wages in cash terms will simultaneously be halved as well, from 8 to 4 dollars.[1] However, real wages have not been reduced (and this is highly important from the standpoint of our

[1] Let us note that in the altered conditions (2) the dollars are not identical with the dollars of the old conditions (1). The purchasing power of (2) dollars is twice as high.

problem). The worker will continue to receive the same quantity of the articles of consumption in exchange for his daily wages in cash terms (which have been halved), because their value and prices have been also halved.

There we already find a break in the movement of the value of labour-power and of its commodity-equivalent as the sum of use-values: whereas the former has been halved as a result of the higher productive power of social labour, the latter has remained unchanged for the same reason. The value of the commodity-equivalent has dropped, like the value of labour-power, down to one-half. That break will develop into the opposite movement of the value of labour-power and its commodity-equivalent in view of the fact that the value of labour-power necessarily tends to decrease more slowly than does the value of other commodities.

The value of labour-power is under the influence of a multiplicity of factors frequently acting in opposite directions, of which the most decisive one is the growing productive power of social labour, which determines the main tendency of the value of labour-power to decrease. The dependence of the value of labour-power on changes in the productive power of social labour is complicated by the fact that it is under the influence of factors which do not affect the value of conventional commodities and which tend to attenuate, or slow down, the tendency of the value of labour-power to decrease. The crucial role here belongs to the expansion of the volume of the workers' socially necessary requirements reflecting the progressive development of the society's main productive force. The value of labour-power is, therefore, directly proportional to the volume of the worker's socially necessary requirements, and is inversely proportional to the productive power of social labour.

The decrease in the value of labour-power is slowed down under the impact of all the processes running towards the expansion of the socially necessary requirements of the working class, a phenomenon expressing the cardinal fact that, in contrast to the value of conventional commodities, the value of labour-power is shaped through the interplay of historical and moral factors.

The socially necessary requirements of the working class tend to increase under the impact of the intensification of labour, the workers' heightened skill standards, their growing cultural requirements, the development of commodity

relations, and so on, and so forth. Lenin says: "This law of increasing requirements has manifested itself with full force in the history of Europe—compare, for example, the French proletariat of the end of the eighteenth and of the nineteenth centuries, or the British worker of the 1840s and of today. This same law operates in Russia, too: the rapid development of commodity economy and capitalism in the post-Reform epoch has caused a rise in the level of requirements of the 'peasantry', too: the peasants have begun to live a 'cleaner' life (as regards clothing, housing, and so forth)." [1]

It is a characteristic fact that, alongside the increasing requirements in material goods and services, there is now a substantial change in their structure, with a much greater emphasis on services, so that it is not only the branches of material production, but also the branches of non-material production that are involved in the reproduction of labour-power, with the importance of the latter having a tendency to grow.

The expansion of the worker's socially necessary requirements is, on the one hand, a key expression of the progressive development of labour-power and a condition for the growing productive power of social labour, and consequently, for a reduction in the value of commodities, and on the other, the crucial factor slowing down the decrease in the value of labour-power.

Its decrease is also slowed down under the impact of labour intensification, since the workers' increasing expenditure of abstract labour in a unit of time results in a growth of their requirements for consumer goods and services, and the emergence of various new requirements (more food with a higher-calorie content, longer and more diverse recreation, better medical care, etc.). By contrast, the value of conventional commodities does not increase as labour is intensified.

The intensification of labour does depress the value of labour-power but only indirectly, by increasing the productive power of labour, if the growth of the average, social level of labour intensity can be manifested as a greater productive power of labour.

There again, we find the above-mentioned uniformity in operation: the value of labour-power is reduced, because

[1] V. I. Lenin, "On the So-Called Market Question", *Collected Works*, Vol. 1, pp. 106-07.

the productive power of labour on the whole tends to increase faster than does the range of the workers' socially necessary requirements (in consequence of the growing intensification of labour and also its higher standards).

So the main outcome of labour intensification is that it tends to slow down the decrease in the value of labour-power caused by the reduction in the value of consumer goods in consequence of the growing productive power of social labour.

The rising general skill standard of the workers likewise operates in the same direction: on the one hand, it slows down the decrease in the value of labour-power, because, other conditions being equal, it tends to increase the workers' requirements, and on the other, being the most important condition for the growing productive power of social labour, it induces a decline in the value of commodities. The conclusion about the inevitable rise in the general skill standard of labour-power as an aggregate worker mastering ever more efficient and intricate implements of labour and forces of Nature cannot be invalidated by the fact that various contingents of the working class have different skill standards, or that the skills of one section of it tend to be degraded, so testifying to the sharp exacerbation of the contradictions in the capitalist reproduction of labour-power.

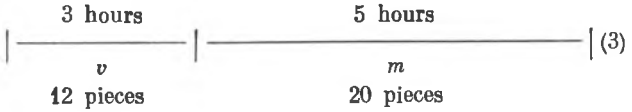
The workers' requirements for the relevant goods and services, including their general cultural and social requirements, tend to expand with the development of the society, the growth of social production, the advance of technology, science and culture, the migration of the population, and more intensive commodity-exchange. These requirements are also expanded as the working class rises to ever higher levels of consciousness and invigorates its struggle against capitalist wage-slavery.

Whatever their origin, be they connected with the worker's production activity or not, the increase in his socially necessary requirements tends to slow down the decrease in the value of labour-power, and a number of other factors operate in the same direction.

Consequently, the slower decrease in the value of labour-power, as compared with the decrease in the value of conventional commodities, springs from the very nature of labour-power as a specific commodity.

Let us continue example (2) in the light of that fact. Let us assume that the value of conventional commodities

has been halved—compared with (1)—and the value of labour-power reduced by 25 per cent. Necessary labour-time will then come to 3 hours, and surplus labour-time to 5 hours. The quantity of commodities turned out in the course of the day will reach 32 pieces. The necesssary product comprises 12 pieces, and the surplus-product 20 pieces. The rate of surplus-value will go up to 166 per cent.



What in that case will happen to nominal and real wages? Nominal wages will go down from 8 to 6 dollars, i.e., by 25 per cent, just as will the value of labour-power. However, in view of the halving of the prices (the value of the commodities has been halved in view of the doubling of the productive power of labour), real wages will go up by 50 per cent to 12 dollars—in (1) dollars. The value incorporated in real wages will, therefore, drop by 25 per cent (in accordance with the decline in the value of labour-power by 25 per cent), while its expression in the amount of use-values will increase by 50 per cent.

So, the higher productive power of labour has caused the value of the labour-power to fall, and its commodity-equivalent (potential real wages) to rise, both being caused by the same factor: the higher productive power of social labour.

Marx examined the problem on the assumption that the value of labour-power in absolute terms tends to fall in the same proportion as the productive power of social labour to rise, and that the price of labour-power tends to be reduced somewhat more slowly than the decline in the value of labour-power, and summed it up as follows: "In this way it is possible with an increasing productiveness of labour, for the price of labour-power to keep on falling, and yet this fall to be accompanied by a constant growth in the mass of the labourer's means of subsistence. But even in such case, the fall in the value of labour-power would cause a corresponding rise of surplus-value, and thus the abyss between the labourer's position and that of the capitalist would keep widening." [1]

The above shows that the law of value as applied to the

[1] Karl Marx, *Capital*, Vol. I, p. 490.

specific commodity—labour-power—is the regulator of the magnitude of its price, namely, wages. But this regulating effect of the law of value is likewise a two-fold one. The law of value directly regulates the value incorporated in wages, and indirectly (through that value) its expression in kind. The law is also effective when there is a decline in the value of labour-power and, consequently, in the value expressed in nominal wages (even if they may be going up in what may be called their denomination), and there is a growth in real wages, and in the mass of means of subsistence received by the worker. The implication is that inherent in capitalism is an objective tendency towards a decline in the value incorporated in the workers' wages, and simultaneously a tendency to contain the growth of their expression in kind, i.e., real wages, which is one of the forms in which the development of the society's main productive force—labour-power—is retarded by the capitalist relations of production.

It follows that the movement of real wages cannot directly characterise the changes in the value of labour-power. One analyst says: "The growth of real wages ... may express either a growth in the value of labour-power or a decline in it." [1] It also follows that it is wrong to assume in every case that higher real wages necessarily signify a higher value of labour-power, since growing real wages may also be an expression for a shrinking or constant value of labour-power.

The confusion of the movement of the value of labour-power and that of real wages springs from a confusion of value and use-value, i.e., of value and its outward form of expression.

The opposite movement of the value of labour-power and of its commodity-equivalent, of which wages are, as a rule, a part, and the fact that the value of labour-power tends to fall more slowly than does the value of other commodities, suggest that under normal conditions labour productivity should, as a rule, outstrip the growth of real wages. Other conditions being equal, the greater the reduction in the value of the articles of consumption as compared with the value of labour-power, and the greater the increase in the productive power of labour, the greater will be the in-

[1] G. A. Kozlov, *Operation of the Law of Value under Contemporary Capitalism*, Mysl Publishers, Moscow, 1964, pp. 62-63 (in Russian).

crease in the commodity-equivalent of the value of labour-power.

Like the rate of growth in labour productivity, the factors counteracting the tendency of the value of labour-power to fall are far from similar at various periods in the history of capitalism, which is why the scale and frequently also the directions of the changes in the commodity-equivalent of the value of labour-power are also different, although its main tendency is to grow. However, the commodity-equivalent of the value of labour-power does not increase in the same proportion as does the productive power of labour, but to a lesser extent, because its connection with the productive power of labour is not direct but runs through the declining value of labour-power. Real wages, under the influence of a multiplicity of counteracting factors, tendencies and laws of the bourgeois mode of production, which are especially intensified with the establishment of monopoly domination in the epoch of imperialism, tend to grow to an even lesser extent.

The lag (within certain limits) in the growth of real wages behind rising labour productivity was seen by Marx as an important condition for expanded capitalist reproduction. In his examination of the accumulation of capital, he writes: "Hand-in-hand with the increasing productivity of labour, goes, as we have seen, the cheapening of the labourer, therefore a higher rate of surplus-value, even when the real wages are rising. The latter never rise proportionally to the productive power of labour." [1]

However, under contemporary capitalism, the lag in the growth of real wages behind the rising productivity of labour goes beyond the framework set by the operation of the law of value of commodities and labour-power, developing into a gap between the rising productivity of labour and its remuneration.

Let us carry on our example (3) in the light of the separation of the value incorporated in real wages and the value of labour-power, which is characteristic of present-day capitalism and which testifies that labour-power is paid for below its value.

Let us assume that, in view of the doubling of the productive power of labour, the worker turns out 32 pieces of commodities instead of 16 in the 8 hours; the necessary la-

[1] Karl Marx, *Capital*, Vol. I, p. 566.

bour-time comes to 3 hours (which is materialised in 12 articles), and surplus labour-time to 5 hours (20 articles). The real wages corresponding to the value of labour-power should increase from 8 articles (8 dollars) to 12 articles (12 (1) dollars). Considering that the changing structure of the working-day (and so also the stepped-up exploitation) does not directly appear on the surface of phenomena in any clear-cut form, the capitalist may try to remunerate the labour-power below its value, which may be done in various ways.

1) Real wages will not be increased at all. In that case, labour-power will be paid for substantially below its value. With a value of labour-power at 3 hours (corresponding to 12 articles), the worker will be receiving real wages incorporated in only 2 hours of labour-time (corresponding to 8 articles).

That suggests an important conclusion: constant real wages under a growing productive power of labour signify the sale of labour-power below its value.

It would appear on the surface of things that the condition of the working class has not worsened: after all, its real wages have not dropped, and have remained constant. In actual fact, however, the constancy of real wages in the given conditions not only covers up a substantial rise in the rate of surplus-value (from 100 to 166 per cent), but an even greater step-up in the exploitation of the working class owing to the payment for labour-power below its value, which markedly worsens the conditions for the reproduction of labour-power.

2) Real wages will grow but to a lesser extent than that determined by the interaction of the falling value of labour-power and the growing productive power of labour. Let us assume that it goes up from 8 to 10 articles, while 12 articles correspond to the full value of labour-power. In that case, real wages will go up by 25 per cent, while the productive power of labour doubles, but wages will still be lower than the value of labour-power, because the 10 articles constituting the material expression of real wages embody only 2.5 hours of labour-time, whereas the value of labour-time is 3 hours.

It follows that even a growth in real wages can conceal the payment of labour-power below its value, if that growth is slower than the increase in the aggregate value of the basket of commodities corresponding to the socially normal

conditions for the reproduction of the labour-power sold to the capitalists. In such conditions, a faster growth of real wages as compared with the growth of labour productivity is not only possible, but is in fact objectively necessary in some periods.

All of that indicates that the objectively necessary condition for the sale of labour-power at value is a steady struggle by the working class for higher real wages.

Up to now, we have been considering the operation of the law of the opposite movement of the value of labour-power and of its commodity-equivalent in a form in which this law, like all the other economic uniformities, is not realised under capitalism, namely, in its pure form. The fact is that the operation of the law does not at all signify that the workers actually receive in the form of real wages the whole amount of the commodity-equivalent of the value of labour-power or that real wages increase to the extent of the growth of that equivalent. The objective cause-and-effect connection existing between the value of labour-power and its commodity-equivalent merely creates the possibility for a growth of the workers' real wages, and the extent to which that possibility is realised depends on the impact of numerous factors, because the operation of that law is counteracted by a number of objective economic laws and tendencies in the capitalist society which ultimately produce two closely interconnected results: first, the worker does not, as a rule, receive in the form of real wages the whole of the commodity-equivalent of his labour-power even with a growth in real wages, if the latter tend to grow more slowly than his socially necessary requirements, and second, the tendency for real wages to grow makes headway through a mass of deviations and departures, and is anything like pronounced only over lengthy periods of time.

These processes ultimately result in a relative and absolute worsening of the condition of the proletariat. Together with an absolute depression of the proletariat's living standards, which occurs in some periods of capitalist development, the gap between the volume of the workers' socially necessary requirements and the degree of their satisfaction, to say nothing of a widening of that gap in the face of which the worker is unable to satisfy his requirements even with some growth of real wages, is, we believe, an important form in which the absolute worsening of the working class' condition is expressed.

The operation of the general law of capitalist accumulation, the main cause for the emergence and growth of unemployment, induces competition between the employed and the unemployed section of the working class, leads to an excess in the supply of labour-power over the demand for it, and so depresses the price of labour-power with respect to its value. The destructive effect of this law on the entire process of expanded capitalist reproduction, the reproduction of labour-power above all, increased sharply when capitalism moved into its monopoly stage of development. Under the monopolies' domination, the unemployment which is organic to the capitalist mode of production, tends to become massive and chronic.

Since the worker under capitalism has no property in the means of production and confronts the money-capital-owning capitalist only as the owner of labour-power which has to be sold, he is forced, under threat of starvation, to accept wages which far from fully satisfy his socially necessary requirements, and which, for that reason, are lower in value than the value of his labour-power. The operation of this factor is especially intensified under imperialism, when the worker is confronted with the property of the capitalist monopolies and of the bourgeois state.

Monopoly-high prices of the articles of consumption, which are very much higher than their price of production and value, are a substantive element making for the downward deviation of real wages from the value of labour-power. As a result, the worker does not receive in the form of real wages the whole of the commodity-equivalent of the value of his labour-power. The inflationary depreciation of paper money, which is commonplace under capitalism in the epoch of its general crisis, likewise tends to increase the cost of living.

However, it is not only the monopoly policy of inflating prices, but also the internal mechanism of capitalist price-formation, substantially modified under the impact of monopoly domination, that begins to operate as a key factor countering the opposite movement of the value of labour-power and its commodity-equivalent, and which intensifies the inherent capitalist tendency towards a reduction in real wages, and a growth in the cost of living. The retarding influence of the capitalist relations of production on the society's productive forces is known to be largely intensified by monopoly domination. The related parasitism and the

stagnation of the capitalist economy are expressed in one of their most general forms as the monopoly-generated tendency towards a slow-down in the decline in the value of commodities.

The decline in the value of commodities under imperialism tends to be slowed down under the impact of the following main factors: 1) a growth in the costs of production owing to the underloading of capacities; 2) a slow-down in the spread of technical innovations owing to the monopolisation of technical progress; 3) a shift of regulating costs from minimum towards maximum costs; 4) a rise in the degree of exploitation resulting in an increase in the share of living labour in its overall mass and a decline in the effectiveness of inputs of social labour; and 5) an ever more frequent upward deviation of market price from market value owing to the monopolies' regulation of the balance between supply and demand to their own advantage. [1]

In this way, the domination of the capitalist monopolies undermines the internal mechanism underlying the operation of the law of the opposite movement of the value of labour-power and its commodity-equivalent, so upsetting the normal reproduction of labour-power.

As state-monopoly capitalism develops, the bourgeoisie steps up the exploitation of the working class by means of new nation-wide methods, notably through what is known as the state regulation of prices and wages, and also through the taxation system. The capitalist organisation of labour and the sweated-wages system have a considerable role to play in intensifying both direct and indirect exploitation and so widening the gap between the value and the price of the proletariat's labour-power.

However, all these factors, laws and tendencies cannot completely paralyse the operation of the law of the opposite movement of the value of labour-power and of its commodity-equivalent, the law which provides the basis for the growth of real wages.

The smaller the differential in the decline of the value of labour-power and the value of articles of consumption, the smaller—other conditions being equal—the possibilities for the growth of the real consumption of the working class, and the sharper the contradictions of the capitalist process

[1] See S. L. Vygodsky, *Essays in the Theory of Contemporary Capitalism*, Ekonomicheskaya Literatura Publishers, Moscow, 1961, pp. 91-92 (in Russian).

of reproduction, above all the reproduction of labour-power.

The law of the opposite movement of the value of labour-power and of its commodity-equivalent provides an important objective basis on which the working class can fight successfully for higher real wages. Indeed, the proletariat's economic struggle is the most important component element of the mechanism of that law. After all, the proletariat's new requirements can be established as ordinary, socially necessary requirements, and the conditions created for the satisfaction of these new requirements, only if the proletariat carries on a resolute offensive for its rights. However, the proletariat's economic struggle cannot eliminate the contradictions of the capitalist reproduction of labour-power or the limitations by means of which the capitalist relations of production tend to constrain the development of the society's main productive force. That can be done only through a socialist revolution, i.e., socialist transformations which do away with the capitalist system of wage-slavery at root.

Chapter Six

THE DUAL NATURE OF LABOUR AND THE PROCESSES OF CAPITALIST REPRODUCTION

Marx's doctrine of the dual nature of labour contained in the commodity enabled him to solve the most intricate problems of capitalist reproduction. Far from producing a scientific theory in this field, economic thinkers before Marx even failed to formulate in scientific terms the problem of the reproduction of social capital. That undeveloped and often erroneous approach by the bourgeois classics to the problem was largely explained by their failure to comprehend—for reasons of class and historical limitations—the dual nature of commodity-creating labour, and so also the dual nature of all the phenomena in capitalist reproduction.

The scientific formulation and solution of the problem of capitalist reproduction is based on the division—in the light of the dual nature of labour—of the whole of the social product by material (natural) form and by value. That done, one finds *capitalist reproduction* for its part *presenting itself as a two-fold phenomenon* involving a clarification of how the production, distribution, exchange and consumption of the whole social product are continuously resumed in terms of material (natural) form and of value.

1. The Circulation of Industrial Capital in the Light of the Dual Nature of Labour

The aggregate process of capitalist reproduction presents itself directly as the circulation of the whole of social capital, as a process whose crucial element is the circulation of industrial capital, the sole form of capital within whose framework wage-labour creates use-value, value and sur-

plus-value. The process of circulation in its entirety, says Marx, is a form of the process of reproduction. [1]

The distinctive feature of industrial capital is that it tends consistently to assume the forms of money, productive and commodity capital, and to perform its function in each of these. In contrast to commercial, loan and all other forms of capital, industrial capital includes within itself the phase of productive capital, the only phase within whose framework new use-value is created, and value, including surplus-value, is produced. Such capital functions in the spheres of material and non-material production.

Industrial capital goes through a succession of forms and is in a state of continuous circulation: "All capital-value is constantly in circulation," says Marx. [2] Let us note that the structure of industrial capital determines the structure of its circulation. Let us bear in mind that industrial capital in its productive form presents itself as a two-fold phenomenon: as a sum of use-values in the form of material and personal elements of production, and as the amount of the value incorporated in the given material form, the amount of the incorporated abstract labour designed for the bourgeoisie's exploitation of the working class, and for the valorisation, or self-expansion, of capital.

The circulation of industrial capital also presents itself as a two-fold process. On the one hand, it is a continuous succession of the material forms in which its value is expressed, the process of the latter's self-expansion, namely, the money, the productive and the commodity form. On the other hand, it is the movement of use-values, constituting the material substance of that capital. From that standpoint, the process of production itself, in which the productive form of capital is changed into its commodity form, presents itself as an element of the circulation of industrial capital, an aspect of circulation which includes within itself the continuation of the process of production in the sphere of circulation, the storage of use-values, their transportation, handling in preparation for consumption, etc. Without that aspect of circulation, the use-value of commodities constituting industrial capital cannot be preserved, their reproduction cannot be ensured, and so also the self-expansion of capital.

[1] See Karl Marx, *Capital*, Vol. II, p. 358.
[2] Ibid., p. 161.

It follows that the circulation of capital is a broader concept than commodity exchange, which also entails a succession of material forms of value. The circulation of capital includes within itself both commodity exchange—purchase and sale—i.e., the process of circulation occurring directly within the sphere of circulation proper, and the process of circulation occurring directly in the production phase of industrial capital, i.e., in the sphere of production, in which there is also a change of its material forms, namely, from the productive to the commodity form.

The bourgeois classics, who confused the circulation of capital with the forms in which it appeared in purchase and sale, in effect denied the very possibility of the circulation of constant capital, because, as Adam Smith argued, it did not change its owner, and was not an object of purchase and sale.

Much theoretical and practical importance attaches to the problem of the circulation of capital and the dual nature of that process. Thus, the annual rate of surplus-value (M') is calculated from the speed of the circulation of capital by value. If the rate of surplus-value (m') equals, say, 300 per cent, and capital performs only one turnover a year, the annual rate of surplus-value ($M'=m'\times n$, where n is the number of capital turnovers a year) will also be equal to 300 per cent. If with that rate of surplus-value, capital performs 4 turnovers a year, the annual rate of surplus-value, i.e., the ratio of the whole amount of the surplus-value produced by the workers within the year to the value of variable capital will come to 1,200 per cent ($M'=300\%\times 4=1,200\%$).

It is highly important to understand the dual structure of the circulation of capital, for instance, for disclosing the mechanism of the damaging effects of the arms race on the national economy, together with the economic causes for which the capitalist economy is militarised. The point is that in the sphere of military production there are important differences between the circulation of capital in its material (natural) form, and its circulation by value, the chief one being that in arms production the circulation of capital by value performs a complete circuit in accordance with the formula for industrial capital: $M-C\begin{smallmatrix}mp\\lp\end{smallmatrix}\ldots P\ldots C+c-M+m$, where M is the money form of industrial capital, C the means of production and labour-power purchased with the given money capital, P

the process of production, $C+c$ the commodity form of capital, i.e., the finished product (in this case weaponry) containing within itself the surplus-value created in this production in commodity form, and $M+m$ the result of the conversion of the commodity form of capital back into its money form (in this case, the sale by the arms corporations of their products to the capitalist state). The profits of the arms corporations turn out to be the highest because the military hardware is sold on a highly voluminous and rapidly growing state market, at high and rising monopoly prices, and because the bourgeois state, coalesced with the arms corporations into a military-industrial complex, pays out vast subsidies to the arms corporations, finances their research and development for military purposes, and acts to create the most favourable conditions for their operations and enrichment in other forms as well, and that is the crucial economic factor behind the arms race started by the imperialist countries with the United States at their head. Thus, far from being interrupted, the circulation of capital by value in arms manufacture is the most profitable of all.

The circulation of capital in its material (natural) form is another matter. The arms industry, consuming the society's material and labour resources, produces a use-value (military hardware) which does not take part in the reproduction of either the material or the human elements of the productive forces, which means that the circulation of capital in that sphere in its material (natural) form is interrupted, so impoverishing the society, mainly the masses of working people.

In the light of the dual nature of labour contained in commodities, Marx not only established the fact that industrial capital circulates in its productive form, but also analysed the forms which capital assumes from the standpoint of the process of circulation and the mechanism of the latter. Considering that the various parts of industrial capital in its productive form differ in the way in which they participate in circulation, Marx draws a distinction between fixed capital and circulating (fluid, floating) capital, and *here his dual-nature-of-labour doctrine is highly important.*

The differences in the mode of circulation of these parts of capital, in the form in which their value is transferred to the newly-produced commodity, i.e., in the character of

their participation in the formation of the value of the commodity, spring from the different functions these component parts of capital have to perform in the process of labour, i.e., in the creation of the commodity's use-value. Marx says: "The distinction between instruments of labour and subject of labour, which is grounded on the nature of the labour-process, is reflected in a new form: the distinction between fixed capital and circulating capital." [1]

Let us bear in mind that the instruments of labour are involved in their entirety, and the subject (objects) of labour only partially, in the labour-process, i.e., in the creation of use-value, and it is this specific participation of the material components of the productive form of industrial capital in the labour-process that makes for the distinctions between them in the transfer of their value to the new commodity, i.e., in the formation of that commodity's value. Marx considers the instruments of labour to illustrate the connection between the labour-process and the formation of commodity-value, i.e., the connection between the two roles played by the instruments of labour in the former and in the latter process, and says that the distinction between fixed and circulating capital "is exclusively the peculiar manner in which this value circulates. This specific manner of circulation arises from the specific manner in which the instrument of labour transmits its value to the product, or in which it behaves as a creator of values during the process of production. This manner again arises from the special way in which the instruments of labour function in the labour-process." [2]

Similar to the dual nature of the circulation of capital, the costs of circulation likewise have a two-fold structure.

On the one hand, they present themselves as pure costs of circulation relating to the expenditures of social labour exclusively on the process in which the forms of value alternate, on the conversion of value from its commodity form to its money form, and the latter to the commodity form once again. These are, therefore, expenditures of labour on the alternation of the various forms in which the abstract labour constituting the commodity-value is manifested. Pure costs of circulation are unproductive expenditures of living and objectified (dead, materialised) labour which spring only from the social, namely commodity,

[1] Karl Marx, *Capital*, Vol. II, pp. 164-65.
[2] Ibid., p. 163.

form of production and circulation, and which for that reason do not increase the value of the circulating commodities.[1] Pure costs of circulation are exemplified by the production of the money-commodity (gold, silver, paper money), the costs of bookkeeping and accounting, the expenditure of labour and material resources to effect the change of forms of value, i.e., the purchase and sale of commodities, and so on. The peculiar thing about pure costs of circulation is that they are directly connected with the value form of the commodity and commodity circulation. However, the circulation of the commodity's use-value likewise requires certain outlays.

On the other hand, costs of circulation are directly connected with the commodity's use-value, with the continuation of the process of production in the sphere of circulation, involving the action of concrete labour on the use-value of the circulating commodity—its storage, transportation, grading, parcelling, assembly, packaging, and other handling for consumption—and of abstract labour on its value. These are real, or additional, costs of circulation which actually stem from the process of production, and which for that reason are productive, a fact which is merely obscured by the form of circulation.[2] The characteristic feature of these costs of circulation is that they go to increase the value of the circulating commodities, and that in accordance with the socially necessary—and not individual—conditions of circulation.

Marx considers the wear and tear of the instruments of labour that is closely connected with their circulation by value and by use-avlue, and draws a distinction between their wear and tear proper, and their obsolescence. *The dual nature of the wear and tear of the instruments of labour springs from the duality of capital and ultimately from the dual nature of the labour contained in commodities.*

Let us note that wear and tear means the wearing out of the use-value of machines, production equipment and other material elements of fixed capital arising both from the use of these instruments of labour in the labour-process, and from the damage to their use-value resulting from their non-use, in which case it is subject to the action

[1] See Karl Marx, *Capital*, Vol. II, pp. 137, 139, 142.
[2] See ibid., p. 139.

of the elements.[1] The reduction in the use-value of the instruments of labour for those reasons leads to a reduction in their value.

In contrast to wear and tear proper, obsolescence of the instruments of labour springs directly from their value form, i.e., from the fact that the cost of reproducing these instruments of labour tends to be reduced with the growing productive power of social labour, which is why a perfectly new, well-preserved machine, which has not been subjected to any wear and tear whatsoever, tends to lose its value as the cost of producing such types of machines is reduced, or more perfect machines are manufactured with a unit-effect cost (say, a unit-capacity cost) which is lower than that of the old machine. In the latter case, there is a reduction in the social use-value of the old machine as well. But in the former case—the reduced costs of reproducing the old machine—its use-value remains the same, while its value shrinks. Hence, obsolescence is directly connected with the value of the instruments of labour, and not with their use-value (see Fig. 30).

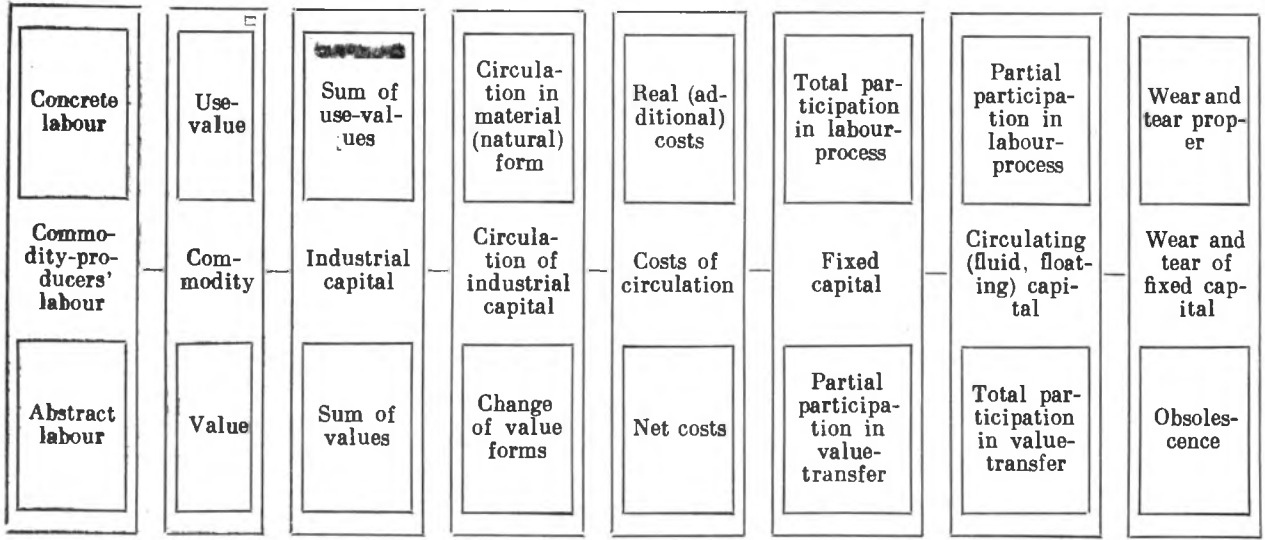
2. Duality of Capital Accumulation and of Its Factors

The accumulation of capital, i.e., the conversion of surplus-value into new functioning capital, *is just as two-fold as is the accumulated capital itself*, which is why Marx speaks of the dual "substance of accumulation" consisting of surplus-value (the value expression of capital accumulation) and the surplus-product (the material form of capital accumulation).[2]

Capital presents itself, on the one hand, as a definite mass of use-values suitable for effecting the process of production (objects and instruments of labour, and labour-power), and on the other, as the value of these material and human elements of production which has a tendency to self-expansion owing to the exploitation of wage-workers. For that reason the accumulation of capital likewise appears as a two-fold phenomenon: on the one hand, it is an increase in the quantity and a rise in the quality of use-values involved in the capitalist exploitation of wage-

[1] See ibid., Vol. I, p. 381; see also pp. 566-67.
[2] See Karl Marx, *Capital*, Vol. I, p. 565.

Fig. 30


Concrete labour
Use-value
Sum of use-values
Circulation in material (natural) form
Real (additional) costs
Total participation in labour-process
Partial participation in labour-process
Wear and tear proper
Commodity-producers' labour
Commodity
Industrial capital
Circulation of industrial capital
Costs of circulation
Fixed capital
Circulating (fluid, floating) capital
Wear and tear of fixed capital
Abstract labour
Value
Sum of values
Change of value forms
Net costs
Partial participation in value-transfer
Total participation in value-transfer
Obsolescence

applied capital through the addition to it of surplus-value or a part of it.

There we already find that the accumulation of capital in its material (natural) form and its accumulation by value are not at all identical processes. The addition of one and the same magnitude of surplus-value to the value of functioning capital may be expressed in a greater or lesser increase in the material (natural) form of capital, i.e., in a higher or lower quality of the means of production and labour-power newly brought into operation.

Consequently, a distinction needs to be made between the accumulation of capital by value and by its material (natural) form.

The factors of capital accumulation are just as two-fold as is the process itself: on the one hand, there are the factors of capital accumulation by value, and on the other, the factors of capital accumulation in material (natural) form, i.e., by use-value. Marx says that one of the main flaws of bourgeois classical political economy is its identification of these two factors determining the accumulation of capital: "Political Economy ... occasionally identifies the acceleration of accumulation due to increased productiveness of labour, with its acceleration due to increased exploitation of the labourer." [1]

As we have seen, an increase in the productive power of labour is, of course, a factor intensifying the exploitation of workers, that is, a method for the production of relative surplus-value, but it amounts to an indirect influence of the growing productive power of labour on the accumulation of capital—through a reduction in the value of labour-power and an increase in surplus-value. It exerts a direct influence on the process of accumulation through an increase in the material (natural) content of capital being accumulated.

The accumulation of capital by value depends on all the factors which determine the mass of surplus-value being converted into new functioning capital (it being assumed that the ratio in which surplus-value breaks up into capital and income is given).

First, there is the degree of exploitation of labour-power expressed in the rate of surplus-value. Other conditions being equal, the higher the rate, the greater is the mass of

[1] Karl Marx, *Capital*, Vol. I, pp. 561-62.

surplus-value and the greater the accumulation of capital by value.

Second, there is the depression of the workers' wages below the value of their labour-power, so that the workers' necessary consumption fund is within certain limits converted into the capital accumulation fund.

Third, the growing mass of surplus-value and the corresponding accumulation of capital by value takes place whenever there is an increase in the absolute scale of the exploitation of the working class. Given a constant rate of surplus-value, the absolute magnitude of surplus-value can increase, for instance, when the working-day in the society as a whole is prolonged.

The growing productive power of social labour is the key factor behind the accumulation of capital in its material (natural) form, and it tends to generate an opposite movement of the commodity-unit value and the mass of use-values produced. Marx notes that the rise in the productive power of social labour leads to an increase in the mass of products expressing the value of a given magnitude and, consequently, an increase in the mass of use-values constituting the material expression of the accumulated part of surplus-value. Indeed, with a rising productive power of social labour, the mass of the surplus-product can increase even with a falling rate of surplus-value, if the decline of the latter is slower than the increase in the productive power of labour. [1]

With a rising productive power of social labour, accumulated variable capital of the same value is expressed in a greater quantity of the workers' means of subsistence and for that reason sets in motion a greater mass of labour-power, provided real wages are constant or have somewhat slower growth. This, for its part, creates the prerequisites for an increase in the mass of surplus-value and a growing accumulation of capital by value as well. A higher productive power of labour also brings about an increase in the material (natural) expression of the accumulated fixed capital, so that the same capital value will now be represented in a larger quantity of the instruments and objects of labour, which will also tend to rise in quality and efficiency. So a higher productive power of social labour creates the conditions under which the same magnit-

[1] See Karl Marx, *Capital*, Vol. I, p. 566.

ude of accumulated surplus-value is expressed in a greater mass of both material and human factors of production (and their higher quality), which for its part leads to a growing mass of surplus-value.

It follows that to the accumulation of capital also applies Marx's uniformity of the opposite movement of value and use-value under the impact of a rising productive power of social labour: in these conditions, a decreasing value of accumulated capital may correspond to an accelerated accumulation of capital in material (natural) form. Marx describes this uniformity as follows: "The value of the additional capital, therefore, remaining the same or even diminishing, accelerated accumulation still takes place. Not only does the scale of reproduction materially extend, but the production of surplus-value increases more rapidly than the value of the additional capital." [1]

A rising productive power of social labour has an influence not only on the growth of the material (natural) expression of the accumulated surplus-value, i.e., on additional capital, but also on already functioning capital. In these conditions, the worn out elements of fixed capital can be replaced by better and, hence, more productive instruments of labour. That being so, the former value of the functioning capital is compensated for by a greater number of more efficient instruments of labour.

That is only one of the factors which makes it possible for the processes of capital reproduction to diverge, on the one hand, by value, and on the other, in material (natural) form. Under a rising productive power of labour, the simple reproduction of capital by value has its counterpart in expanded reproduction in the material (natural) form.

Marx considered the case when, in the absence of capital accumulation by value, expanded reproduction of capital is effected by use-value from the depreciation fund, and added: "This reproduction on an extended scale does not result from accumulation—transformation of surplus-value into capital—but from the reconversion of the value which has branched off, detached itself in the form of money from the body of the fixed capital into new additional or at least more effective fixed capital of the same kind." [2]

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[1] Ibid.

[2] Karl Marx, *Capital*, Vol. II, p. 175.

With a rising productive power of labour which reduces the value of the commodities produced and increases the mass of use-values produced, expanded reproduction in the material (natural) form is effected at a faster pace than the expanded reproduction of social capital by value.

The crisis phenomena in the capitalist economy, such as massive and chronic unemployment, constant underloading of production capacities, economic crises of over-production, monetary and financial crises, and the like, are specific manifestations of the contradictions of the dual nature of commodity-producers' labour under capitalism.

Economic crises of over-production regularly rocking the capitalist economy are a vivid expression of the contradictions of the dual nature of labour stemming from the basic contradiction of capitalism. Let us recall that before the commodity enters the sphere of consumption, before it is realised as a use-value, it has to be realised as value, i.e., sold. The gearing of production to the maximisation of profits brings the contradiction between use-value and value to boiling point, and when it explodes the capitalist economy is temporarily paralysed.

Marx says that even under simple commodity production, the function of money as a means of circulation (splitting the act of exchange into two relatively independent acts, that of purchase and sale) and as a means of payment (making the rupture of the chain of credit relations possible) creates the possibility of economic crises, and it is translated into reality under the capitalist mode of production as its basic contradiction attains maturity in the course of the industrial revolution.

The sharp contradictions of the capitalist economy are laid bare in the period of economic crises. The volume of production is markedly reduced. There is a growth in the army of unemployed. During the world economic crisis of 1974-1975, industrial output shrank as compared with the pre-crisis peak by 21 per cent in Japan, 16 per cent in France, 15 per cent in the United States, 11 per cent in the FRG, and 10 per cent in Britain.[1] In the pre-crisis year 1973, the number of officially registered unemployed in all the developed capitalist countries totalled 8.6 million, in the crisis year 1975—14.7 million, and in 1978—16.1 million. Meanwhile, the underloading of production

[1] See *Lenin's Theory of Imperialism and Our Day*, Mysl Publishers, Moscow, 1977, p. 279 (in Russian).

capacities in the United States went up from 12.5 per cent in 1973 to 26.4 per cent in 1975; in Japan from 2 per cent to 25.1 per cent, and in the FRG from 3.1 per cent to 16.2 per cent [1]. The underloading of production capacities in US manufacturing rose substantially during the crisis of the early 1980s: in 1980 it stood at just over 20 per cent, in 1982—30 per cent, and in 1983 it was slightly under 25 per cent. [2]

The economic crisis is engendered by the fact that under capitalism the social labour-process, in which use-values are produced, is geared to the increase of value, and the production and appropriation of surplus-value. With production being increasingly social, the limited objective imposed upon it by capitalism runs into ever greater contradiction with the need to develop the society's productive forces, so that capitalist production "comes to a standstill at a point fixed by the production and realisation of profit, and not the satisfaction of requirements". [3] The crisis processes in the capitalist economy are a visual demonstration of the historically transient character of the capitalist system.

3. The General Law of Capitalist Accumulation. Absolute and Relative Worsening of the Condition of the Working Class

The composition of capital and its change in the process of accumulation are the key questions in analysing the influence of accumulation of capital on the condition of the working class, with the doctrine of the dual nature of labour contained in commodities having an exceptionally important role.

"The composition of capital is to be understood in a twofold sense", [4] and that because capital is itself both an amount of value and a definite quantity of use-values appearing in a form which makes the self-expansion of capital possible. Accordingly, Marx brings out the value com-

[1] See *Mirovaya ekonomika i mezhdunarodniye otnosheniya*, No. 8, 1979 (Supplement), pp. 5, 15.
[2] *Economic Indicators*, October 1984, p. 17.
[3] Karl Marx, *Capital*, Vol. III, p. 258.
[4] Ibid., Vol. I, p. 574.

position of capital, which is determined as the ratio of constant capital (c) to variable capital (v) $\frac{c}{v}$, and its technical composition, which is determined as the ratio of the mass of applied means of production to the quantity of labour-power necessary to set them in motion.

Marx says that there is a close interconnection between the technical and the value composition of capital, and it is expressed through the category of the organic composition of capital, which, Marx says, is its value composition "in so far as it is determined by its technical composition and mirrors the changes of the latter".[1] If follows that Marx does not characterise any value composition of capital as organic, but only that whose value form is a reflection of the technical composition of capital and its changes. Considering that the technical composition of capital, i.e., the quantity of the means of production set in motion by the corresponding labour-power unit, that is, the technical facilities per worker, determines the level of the productive power of social labour, it will be obvious that the organic-composition-of-capital category is a generalised expression of the development of capitalism's social productive forces in the same, and so comparable, value form (both in terms of industry and time). *The two-fold organic composition of capital ultimately springs from the dual nature of the labour contained in commodities.*

It will be easily seen that the value composition of capital can change—while the technical composition remains constant—for purely value causes, notably an uneven decrease in the value, on the one hand, of the means of production, and on the other, of the labour-power under the impact of the growing productive power of social labour. A slower decline in the value of labour-power (in virtue of the growth of the workers' socially necessary requirements, a factor which has no influence on the value of conventional commodities) relative to the value of the means of production will result in a lowering of the value composition of captial, but that will not signify any decline in the organic composition of capital because such an uneven movement of the value of the component parts of capital is not in itself a reflection of any changes in its technical composition. The value composition of capital, which pres-

[1] Karl Marx, *Capital*, Vol. I, p. 574.

ents itself directly in a price form, can also be influenced by changes in the prices of both the means of production and labour-power, but these changes do not have a direct effect on the organic composition of capital either, because in its value form it is a reflection of nothing but the level and changes of the technical composition of capital alone.

The composition of capital and its changes in the process of accumulation is an important question for analysing its influence on the condition of the working class, because the demand for labour-power depends on the character of these changes. The two-fold structure of capital, and so also its two-fold composition, were ignored by the classics of bourgeois political economy, who tended to reduce the whole of accumulated capital to variable capital, so drawing the profoundly erroneous conclusion that there was a growing demand for labour-power in the same proportion as the accumulation of capital, with the corollary that the accumulation of capital tends to be paralleled by a growth in the well-being of the working class. However, some doubts about the accumulation of capital having such an influence on the condition of the working class were already expressed by David Ricardo.

Marx examined the structure of capital and established that the accumulation of capital went hand in hand with a growth in its organic composition, and this enabled him to give a scientific solution to the problem of the impact the accumulation of capital had on the condition of the working class. He discovered that as the organic composition of capital grew, there was a reduction in the demand for labour-power relative to the growing magnitude of the whole of capital. From this it followed that the growth of the absolute scale of capital accumulation—provided there was a growth in its organic composition—inevitably led to a relative reduction of variable capital.

But in the process, the absolute magnitude of variable capital tended to increase: "With the growth of the total capital, its variable constituent or the labour incorporated in it, also does increase, but in a constantly diminishing proportion." [1]

Why then is there unemployment and, moreover, why does it develop into a permanent feature of the capitalist economy revealing a clear tendency to increase, if there is

[1] Ibid., p. 590.

only a relative reduction in variable capital, which continues to grow in absolute terms with the growing accumulation of capital and its organic composition?

The fact is that the growth in the absolute magnitude of the variable constituent of the whole of social capital—with a corresponding increase in the total number of wage-workers—conceals the extremely uneven changes in both the magnitude of the accumulation of capital and its structure in different sectors of the capitalist economy. Marx says: "In some spheres a change in the composition of capital occurs without increase of its absolute magnitude," in which case, a growth in the organic composition of capital is paralleled by an absolute diminution of the variable capital and, accordingly, of the number of workers employed. In other spheres, Marx goes on, "the absolute growth of capital is connected with absolute diminution of its variable constituent, or of the labour-power absorbed by it".[1] That is a situation which is typical of capitalist agriculture. In other sectors, capital tends to be accumulated in some periods on the old technical basis and, in proportion to its increase, tends to attract additional labour-power, whereas in other periods, the accumulation proceeds on the basis of a higher organic composition and a diminution of capital's variable part.

Marx summed up his analysis of the problem as follows: "In all spheres, the increase of the variable part of capital, and therefore of the number of labourers employed by it, is always connected with violent fluctuations and transitory production of surplus-population."[2] As a result, a surplus working population tends to take shape within the capitalist economy as a permanent phenomenon. Consequently, the whole point is the relative decline in the demand for labour-power in the course of the accumulation of capital and the growth of its organic composition, as a result of which a definite section of the workers constantly finds itself redundant for the self-expansion of capital, and for that reason—unemployed.

It follows from Marx's analysis that the scale of unemployment inevitably increases with the expansion of the scale on which capital is accumulated, with the acceleration of technical progress and the growing organic composition

[1] Karl Marx, *Capital*, Vol. I, p. 590.
[2] Ibid.

of capital which it determines, with the consequent intensification of the processes in which labour-power is repulsed and attracted, and also with the expansion of the spheres of production through which these changes run. The capitalist law of population, according to Marx, means that the labouring population "produces, along with the accumulation of capital produced by it, the means by which it itself is made relatively superfluous, is turned into a relative surplus-population; and it does this to an always increasing extent". [1]

Marx's analysis of the accumulation of capital, the changing tendencies in its organic composition and the consequent objective causes for the emergence of unemployment enabled him to discover the general law of capitalist accumulation, which determines the inevitable sharpening of the class antagonism between the workers and the bourgeoisie as capital is accumulated. He established that the larger the functioning capital and the scale of its accumulation, the greater are the absolute numerical strength of the proletariat and the productive power of its labour, and the more extensive the unemployment which hits the working class. Conversely, the larger the unemployment, "the greater is the mass of a consolidated surplus-population, whose misery is in inverse ratio to its torment of labour".[2]

His main conclusion is that the growing scale of the accumulation of capital and the rise in its organic composition necessarily worsen the condition of the working class. Marx explained the content of the general law of capitalist accumulation as follows: "This law, in a capitalist society—where the labourer does not employ the means of production, but the means of production employ the labourer—undergoes a complete inversion and is expressed thus: the higher the productiveness of labour, the greater is the pressure of the labourers on the means of employment, the more precarious, therefore, becomes their condition of existence, viz., the sale of their own labour-power for the increasing of another's wealth, or for the self-expansion of capital." [3]

Marx's dual-nature-of-labour doctrine, therefore, was the key methodological instrument in analysing the influence of capital accumulation on the condition of the working

[1] Ibid., p. 591.
[2] Ibid., p. 603.
[3] Ibid., pp. 603-04.

class, a doctrine which was also paramount in his analysis of the forms in which the condition of the working class tends to worsen.

What is characteristic of capitalism is that the condition of the working class tends to worsen in relative terms, and frequently also in absolute terms, with the difference between the two being closely bound up with the two-fold character of the social product of the capitalist society, i.e., the distinction between its value and its material (natural) forms.

The relative deterioration of the condition of the working class is known to mean a reduction of its share in the national income which presents itself in value form. The objective basis of this form of worsening in the condition of the working class is the growth of capitalist exploitation, as expressed in the growing rate and mass of surplus-value and, so, in a decrease in the workers' share and an increase in the capitalists' share of the newly-created value. The tendency of the condition of the working class to worsen in relative terms is borne out by statistics in the capitalist countries.

Table 8

National Income and Real Wages in Manufacturing (1967 = 100 per cent)

	USA		Japan		FRG		Britain		France	
	National income	Wages	National income	Wages	National income	Wages	National income	Wages	National income	Wages
1960	73.0	90.1	50.0	67.2	76.1	68.7	81.5	83.6	68.1	79.1
1973	122.9	105.1	85.5	160.0	137.5	125.0	119.3	118.0	142.2	129.8

Source: Mirovaya ekonomika i mezhdunarodniye otnosheniya, No. 5, 1974, p. 153.

There is an indication of the same trend from the data on the share of the "compensation" of wage-workers in the national income divided by the proportion of wage-labour in the economically active population of the United States: in 1950 the index was 0.905, in 1965—0.885, and in 1974—0.793. [1]

[1] See S. V. Pronin, *Critique of Bourgeois Income-Distribution Conceptions*, Nauka Publishers, Moscow, 1978, pp. 258-59 (in Russian).

The Soviet analyst N. Gauzner has estimated that the share of the wages of workers, employees, technicians and engineers in the provisional net product of US manufacturing declined as follows: 56.4 per cent in 1954; 52.1 per cent in 1963; 50.4 per cent in 1970; and 47.8 per cent in 1973. [1]

A comparison of the changing proportion of wage-labour in the economically active population and of its share in the national income likewise bear out the relative worsening of the condition of the working class: the much faster growth of the former as compared with the latter testifies to the dwindling share of the working class in the national income. Thus, the proportion of all wage-workers in the economically active population of the United States went up from 79.5 per cent in 1950 to 90.3 per cent in 1975, i.e., by 10.8 per cent, while the share of the payroll-fund in the national income went up from 64.3 per cent in 1950 to 70.2 per cent in 1975, i.e., by 5.9 per cent. It follows that over these 25 years the condition of wage-workers suffered a relative worsening by 4.9 per cent. [2] These data, calculated with the use of different methods, show the relative worsening of the condition of the working class.

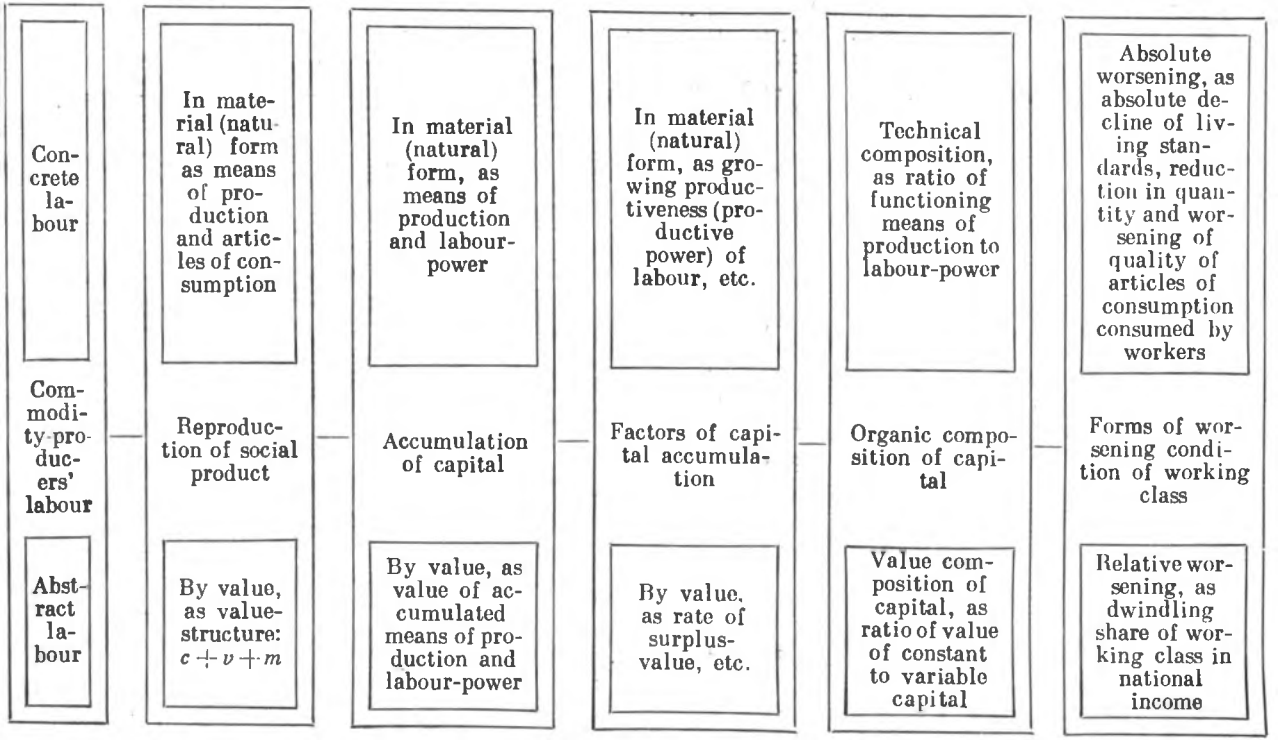
The dual-nature-of-labour doctrine helps to draw a clear-cut distinction between the relative and absolute worsening of the condition of the working class under capitalism.

Whereas the relative worsening of the condition of the working class is directly connected with the value characteristic of its share in the national income, the absolute worsening of the condition of the working class is an absolute depression of the living standards of the working class and is directly connected with the movement of the working-class share in the national income in material (natural) terms. Hence the possibility of a discrepancy in the trends towards the relative and absolute worsening of the condition of the working class. The RSDLP Programme (1903) worked out by Lenin said: "Crises and periods of industrial stagnation ... lead even more rapidly to a relative, and sometimes also to an absolute worsening of the

[1] See *Mirovaya ekonomika i mezhdunarodniye otnosheniya*, No. 4, 1978, p. 40.

[2] See *Socio-Economic Problems of the Working People in the Capitalist Countries (Employment, Wages, Consumption)*, Politizdat, Moscow, 1974, p. 25 (in Russian); *Yearbook of Labour Statistics*, Geneva, 1956, pp. 310-12; 1977, pp. 28-32.

Fig. 31


Concrete labour
Commodity-producers' labour
Abstract labour
In material (natural) form as means of production and articles of consumption
Reproduction of social product
By value, as value-structure: $c + v + m$
In material (natural) form, as means of production and labour-power
Accumulation of capital
By value, as value of accumulated means of production and labour-power
In material (natural) form, as growing productiveness (productive power) of labour, etc.
Factors of capital accumulation
By value, as rate of surplus-value, etc.
Technical composition, as ratio of functioning means of production to labour-power
Organic composition of capital
Value composition of capital, as ratio of value of constant to variable capital
Absolute worsening, as absolute decline of living standards, reduction in quantity and worsening of quality of articles of consumption consumed by workers
Forms of worsening condition of working class
Relative worsening, as dwindling share of working class in national income

condition of the working class." [1] It is possible to explain why the relative worsening of the condition of the working class is a permanent feature of the capitalist economy, whereas absolute worsening only occurs now and again, if we take into account the contradictory movement of value and use-value under a growing productive power of social labour.

The diminution of the share of the working class in the national income in its value form may go hand in hand with rising real wages, i.e., an increase in the quantity of use-values included in the consumption of that class. Nevertheless, in present-day conditions, the absolute worsening of the condition of the working class tends to assume such sharp forms even in periods of economic recovery in the capitalist countries that the most realistically-minded bourgeois economists are forced to admit that there is a tendency for the condition of the working class to worsen, both relatively and absolutely; what is more, they have to admit that there is a tendency for the spread of absolute poverty among the labouring masses. According to the British economist Joan Robinson, economic growth is not only incapable of solving the problem of relative misery, but even tends to increase absolute misery. "As growth goes on at the top," she writes, "more and more families are thrown out at the bottom. Absolute misery grows while wealth increases." [2]

That is, in effect, an admission of both absolute and relative worsening of the condition of the labouring masses, because the "increase of the national wealth" that is paralleled by a "growth of absolute misery" among the working people means the growth of wealth only for one class—the bourgeoisie. Let us note that Joan Robinson links the worsening condition of the working people with economic growth, i.e., the development of the capitalist society's productive forces.

Paul A. Samuelson likewise has to admit the fact that there is an absolute and relative worsening of the condition of the working people under capitalism, when he says: "It is a commonplace to state that the American standard of living and level of family income are among the highest

[1] *The Communist Party of the Soviet Union in Resolutions and Decisions of Its Congresses, Conferences and CC Plenary Meetings*, Vol. I, Politizdat, Moscow, 1970, p. 61 (in Russian).

[2] *The American Economic Review*, May 1972, p. 7.

in the world. But few people realize just how small the average American income really is, or how great is the range between the highest and the lowest incomes." [1]

The absolute worsening of the condition of the working class under capitalism is manifested in highly diverse ways, and so cannot be expressed in any single indicator. Here, the scale and duration of unemployment have a substantial role to play, although they are less than fully presented in official statistics.

The rapid growth of inflation is another important indicator of the absolute worsening of the condition of the working class. Consumer prices frequently outrun nominal wages, so that real wages are depressed. That being so, says the US magazine *Time*, wage-rises tend to become a mockery. The 1960s were a decade when there was actually zero-growth in living standards. In the 1970s, weekly real wages of US workers began to decline (from 1972) and by 1984 inclusive had not risen above the 1972 level. In 1984, they stood at 87.4 per cent of the 1972 level. [2]

Table 9

Persons Living Below the Poverty-Line in the USA (1969-1982) (millions)

	1969	1975	1979	1980	1981	1982
Total	24.1	25.9	26.1	29.3	31.8	34.4
including						
Whites	16.7	17.8	17.2	19.7	21.5	23.5
Blacks	7.1	7.5	8.1	8.6	9.2	9.7
	(per cent)					
Total	12.1	12.3	11.7	13.0	14.0	15.0
Whites	9.5	9.7	9.0	10.2	11.1	12.0
Blacks	32.2	31.3	31.0	32.5	34.2	35.6

Source: Statistical Abstract of the United States 1982-1983, GPO, Washington, 1983, pp. 441, 442; 1984, p. 471.

[1] Paul A. Samuelson, *Economics*, 10th ed., McGraw-Hill Book Company, New York, 1976, p. 79.

[2] See *Economic Report of the President*, Washington, 1982, p. 277; *Economic Indicators*, February 1985, p. 15.

The growing number of persons living below the official poverty-line likewise certifies to the tendency for the condition of the working class to worsen in absolute terms, a tendency which was most pronounced in the 1970s and early 1980s.

These data eloquently testify to the economic discrimination of the working people by the colour of their skin: the percentage of black people living below the poverty-line is three times that of white people.

The figures concerning the people who live on the poverty-line, are even more impressive: in 1980 they totalled 40.7 million, including 28.7 million white people, and 10.6 million blacks (the percentages were, respectively, 18.1 per cent, 14.9 and 40.2). More than 40 per cent of the black population in the richest country of the capitalist world lives on and below the poverty-line!

These data indicate that the working people's economic rights are not secured under capitalism: they are not guaranteed jobs, reliable incomes, stable prices for consumer goods, and so on. What is more, their rights are constantly trampled on under capitalism, as will be seen, in particular, from the Economic Report of the US President (February 1984) which contains massive data on racial discrimination in jobs: unemployment among non-white workers is, as a rule, twice as high as it is among white workers (see Table 10).

Unemployment tends to assume the highest proportions among young people, blacks in the first place. According to the Economic Report of the US President in 1984, unemployment among non-white youth in the 16-19 age-bracket made up in 1983 45 per cent and had a clear tendency to rise (see Table 11).

There is also wage discrimination against non-whites by colour and sex: incomes among black men in the United States are a third lower than those of white men, while wages among black women are roughly one-half of those of white women. For their part, the latter earn roughly one-third less than white men.[1] Earnings among black women are one-third of those of white men. Consequently, discrimination in jobs and wages is a substantial factor in the relative and absolute worsening of the working people's condition under capitalism.

[1] *Women Working: Theories and Facts in Perspective*, Mayfield, Palo Alto (California), 1978, pp. 66-67.

Table 10

US Unemployment as a Percentage of the Economically Active Population (per cent)

	Unemployed	
	White	Non-white
1948	3.5	5.9
1955	3.9	8.7
1960	4.9	10.2
1965	4.1	8.1
1970	4.5	8.2
1975	7.8	13.9
1976	7.0	13.1
1977	6.2	13.1
1978	5.2	11.9
1979	5.1	11.3
1980	6.3	13.1
1981	6.7	14.2
1982	8.6	17.3
1983	8.4	17.8
1984	6.5	14.4

Sources: Economic Report of the President, Washington, 1979, p. 218; *Economic Indicators*, February 1985, p. 12.

Table 11

Unemployed Non-White Men and Women (16-19 years) (per cent)

	Young men	Young women
1955	13.4	19.2
1960	24.0	24.8
1965	23.3	31.7
1970	25.0	34.4
1975	35.4	38.4
1976	35.4	39.0
1977	37.0	39.9
1978	34.4	38.4
1979	31.3	35.6
1980	34.4	36.5
1981	37.5	38.3
1982	44.0	43.8
1983	45.0	44.6

Sources: Economic Report of the President, Washington, 1979, p. 218; 1982, p. 271; 1983, p. 201; 1984, p. 261.

The US President's Economic Report to Congress in 1978 not only admits the dire plight of the working people but also the incapacity of the capitalist state to improve their condition: the government cannot solve these problems; it cannot eliminate poverty, ensure abundance or reduce inflation. [1]

The dual-nature-of-labour doctrine helps to establish that the social antagonisms of capitalist reproduction are bound to grow as the social productive forces develop and keep being hemmed in by the narrow framework of the limited goal of capitalist production. The doctrine shows that because of the domination of private capitalist property, the boundless potentialities for boosting the productive power of labour, as an expression of the effectiveness of concrete labour, are made to serve the maximisation of capitalist profit, ever more intense exploitation of the working class, and enrichment of the bourgeoisie. The domination of abstract labour over concrete labour, i.e., of the value-expansion process over the creation of use-value, is an expression of the basic contradiction of capitalism, which makes the capitalist mode of production a historically transient one.

[1] *Economic Report of the President*, Washington, 1978, p. 6.

Chapter Seven

THE METHODOLOGICAL IMPORTANCE OF THE DUAL-NATURE-OF-LABOUR DOCTRINE FOR ANALYSING THE ECONOMY OF IMPERIALISM

Marx's view that all the economic phenomena of the capitalist mode of production can be understood only in the light of the dual nature of labour in a sense remains true also for imperialism as the highest and last stage of capitalism marked by the domination of capitalist monopolies. But the specific features of the imperialist stage of capitalism and the development of the productive forces and of the relations of production under it must necessarily have an effect on the forms in which the basic structural uniformity underlying the commodity relations is manifested.

The scientific theory of imperialism was formulated by V. I. Lenin, who developed the Marxist doctrine in the context of the new historical epoch, the epoch of imperialism and socialist revolutions. He said that in the late 19th and early 20th centuries capitalism entered upon its highest and last stage, which is characterised by the following main features: first, the growing concentration of production and capital led to the emergence of capitalist monopolies and their domination of the economy; second, the coalescence of monopoly industrial and monopoly banking capital produced finance capital; third, the export of capital became most important as compared with the export of commodities; fourth, the economic partition of the world between alignments of capitalists was completed; and fifth, the territorial partition of the world between the major capitalist powers was completed. [1]

It will be easily perceived that all these features of im-

[1] See V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, Progress Publishers, Moscow, 1977, p. 266.

perialism are diverse manifestations of the domination of the capitalist monopolies, which is the economic substance of imperialism.

Lenin's theory of imperialism is of great scientific and political significance, for it analyses the new features which capitalism acquires at its highest and last stage of development and which it is exceptionally important to reckon with both in a scientific analysis of contemporary capitalism and in the revolutionary struggle against the sway of the capitalist monopolies, and for peace, national independence, social progress, and the working people's liberation from every form of exploitation and oppression.

That is why Lenin's theory of imperialism is the scientific foundation for elaborating the strategy and tactics of the struggle of the international working-class and national liberation movements against aggressive and neocolonialist imperialism, and for socialism and genuine economic and political independence.

Let us note that in terms of origins, the highest and last stage of capitalism—imperialism—differs from the capitalist mode of production taken as a whole: whereas capitalism springs directly from simple commodity production, which is why it is not only natural but necessary to regard commodity relations as the historical point of departure in analysing capitalism—as Marx so brilliantly did in his *Capital*—imperialism being the monopoly stage of capitalism, does not spring directly either from the commodity or from the disintegration of simple commodity production, but from the concentration of production and capital, i.e., the processes which led to the domination of capitalist monopolies; it springs from capitalist monopoly, which is, as Lenin established, the economic substance of imperialism. It is capitalist monopoly that engenders all the basic properties of imperialism, its main features, its historical place, its general and fundamental law, and the lines on which the economic laws of capitalism are modified at its highest and last stage of development.

In retrospect, the commodity was the starting point for imperialism as well, as a stage in the development of *capitalism*, but not directly, and only in the final count. Indeed, the failure to understand the distinction was one of the most important methodological reasons for which Rudolf Hilferding, German Social-Democrat, a leader of the Second International, who in 1910 published his work on

the economy of imperialism, *Das Finanzkapital*, was unable to produce a truly scientific theory of the highest and last stage of capitalism.

The important thing to bear in mind is that capitalist monopoly is a specific form of capitalist commodity production based on highly concentrated capitalist property in the means of production and having a monopoly position in the given sphere of capitalist production and circulation. That is why capitalist monopoly, as the economic substance of imperialism, determines the commodity form of all the new phenomena of the capitalist economy which emerge and develop at the final stage of the capitalist mode of production.

Consequently, the commodity production of the capitalist monopolies, which are the economic basis of imperialism, determines the fact that at the highest stage of capitalism—*under imperialism—the totality of economic phenomena* of the capitalist mode of production, too, *has a commodity form and so has a two-fold structure as well.* It follows that the basic structural uniformity of commodity relations remains in force under imperialism as well, despite the fact that commodity production in these conditions is undermined by the domination of the capitalist monopolies and the development of state-monopoly capitalism.

1. The Concentration of Production and Capital: the Two-Fold Process in Which Capitalist Monopoly Is Formed

Lenin said that concentration of production and capital, developed to such a high stage that it has created capitalist monopoly which has a decisive role to play in the capitalist countries' economic life at the imperialist stage of their development, is a basic feature of imperialism.[1]

The concentration of production and the concentration of capital are closely allied but not identical processes. Whereas the former directly affects the changes occurring in the process of labour as the creation of use-values, the latter includes changes occurring in the value-creating process of capitalist production, i.e., in the value-expanding

[1] See V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, p. 266.

process. The difference between the two is determined not only by the qualitative discrepancy between the labour-process and the value-expanding process, but also by quantitative divergencies in their movement. The value characteristic of capital can change while the expression of capital in the mass of use-values remains constant, and vice versa. We have seen, for instance, that expanded reproduction of capital in material (natural) form corresponds to simple reproduction of capital by value—under a growing productive power of social labour.

The concentration of capitalist production is, therefore, a two-fold process. On the one hand, it presents itself as a concentration of production, or rather, as a concentration of the labour-process, and on the other, as a concentration of capital, i.e., of the value-expanding process.

Another difference between the concentration of production and the concentration of capital springs from the important fact that capitalist production is only one phase in the movement of industrial capital, while the two other phases are in the sphere of circulation. The concentration of production ranges only over that part of the industrial capital which is in the form of productive capital and represented by the means of production and labour-power, whereas alongside its productive form, industrial capital constantly exists both in its money and its commodity forms.

The concentration of production under capitalism naturally has a capitalist form and is an expression of the concentration of capital. But viewed in its pure form, the concentration of production appears directly as definite changes in the society's productive forces, a growth in the scale of the production units, a development of the division of labour, and of production specialisation and cooperation. The concentration of production is characterised above all by the size of the actual production units—factories, plants, mines, railways, etc.—in terms of the quantity and efficiency of the means of production applied, the number of persons employed, and the volume of output. But even when the production is not located under one roof and when the different units of the production constituting one technological process are the property of different capitalists, there is also a concentration of production. This will be seen, in particular, when it is effected on the basis of a division of labour between capitalist enterprises, so that the enter-

prises of different capitalist companies begin—at a definite level in the division of labour between them—to function as a single production complex.

In that case, there is a growing concentration of production without any concentration of capital, which merely creates the prerequisites for the merger of enterprises of different capitalist companies (which have already merged in a single production complex) in the hands of a single capitalist monopoly. Bourgeois economists claim that the growing number and often also the share of relatively small capitalist enterprises signal a process of "deconcentration of production and capital". In actual fact, that is frequently no more than a specific form of growing concentration of production on the basis of a spreading division of labour, which converts these enterprises into subsidiaries and affiliates of capitalist monopolies.

Nowadays, such a concentration of production assumes the form of vast and powerful production complexes, frequently with greater potentialities than even those of large monopoly associations, and which emerge from the joint efforts of several monopolies.

The growing concentration of capital is relatively independent of the growing concentration of production, as will be seen from the formation of conglomerates, which are giant multisectoral monopoly entities in which one capital acts as the sponsor of numerous enterprises in the spheres of material and non-material production and also in the sphere of circulation, and which frequently have no production links with each other at all.

The two-fold concentration of capitalist production corresponds to the duality of the basic factors of the process. On the one hand, there is capital as a specific social production relation, a fact which is disclosed in its pure form at an early stage of capitalist development, when labour is formally subordinated to capital. Under simple capitalist cooperation, the concentration of production is directly determined by the volume of the employed capital, and not by any changes in the character of the labour-process. These are, consequently, factors determining the concentration of capitalist production lying on the side of the capitalist relations of production and giving material expression to capital's inherent urge for self-expansion. In the conditions considered above they present themselves directly, but under contemporary capitalism, too, the scale of the capital

employed operates as a relatively independent factor behind the growing concentration of capitalist production.

On the other hand, the advantages of large-scale production, i.e., processes lying on the side of the society's productive forces as such, and acquiring under capitalism a specific capitalist form, are a factor behind the growth of capitalist concentration. The advantages of large-scale production go to create favourable conditions for a growth of labour productivity, and thereby also for a maximisation of capitalist profits. Among these favourable conditions are: greater potentialities for a division of labour within the enterprise and between enterprises, the use of fundamentally new (and often large-scale and highly productive) hardware and technology, the possibility of using not only individual machines, but machine systems, the organisation of mass production, and so on. Consequently, here qualitative changes in the labour-process act as factors behind the growing concentration of capitalist production. Seen from that angle, the growing concentration of capitalist production appears as a technical necessity dictated by the uniformities of the development of the productive forces.

The factors behind the concentration of capitalist production are, therefore, two-fold: on the one hand, they are a direct expression of the progress of the society's productive forces and the development of the labour-process, and on the other, they are a direct expression of capital's inherent tendency towards self-expansion and the extension of the scale and degree of exploitation of wage-labour. The dual nature of the factors behind the concentration of capitalist production is closely bound up with the dual nature of production itself and, in the final count, with the dual nature of labour contained in commodities.

At the turn of the century (19th-20th), free competition capitalism developed into monopoly capitalism—imperialism—as a result of the concentration of production and capital, their intensified centralisation, and the formation of capitalist monopolies. Since then, the concentration of production and capital has increased to mammoth proportions. Lenin noted that in 1909, 3,060 of the largest enterprises in US manufacturing, which made up only 1.1 per cent of all the enterprises, accounted for 43.8 per cent of the output.[1] In 1970, 102 of the biggest US corporations, with

[1] See V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, p. 197.

assets of $1 billion and over which made up only 0.05 per cent of the total number of US corporations, possessed 48 per cent of all the assets and received 53 per cent of the aggregate profits.[1] Considering that the value of assets approximates the value of sales, a comparison of these indicators shows that there had been a sharp increase of concentration in US manufacturing. S. L. Vygodsky estimated that it had multiplied more than 22-fold. In that period, output per major corporation increased more than 33-fold.[2]

Being a spontaneous process, the concentration of production and capital tends to develop unevenly, accelerating in one period and slowing down in the next. Thus, in 1950, 100 major US corporations owned 39.7 per cent of the assets in manufacturing, and in 1970—48.2 per cent. Since then their share has continued to grow.

Table 12

Share of the Leading Corporations in US Manufacturing (with Assets of Over $ 1 billion) in Assets and Net Profits (1970-1981)

	1970	1975	1977	1978	1979	1980	1981
Share in assets	48.2	52.3	55.8	58.4	61.1	63.7	64.8
Share in net profits	51.9	53.7	56.5	58.4	62.7	67.1	69.5

Source: *Statistical Abstract of the United States 1982-1983*, GPO, Washington, 1983, p. 543.

These data testify beyond doubt to the continuing concentration of both production and capital in the hands of the monopoly giants.

[1] *Statistical Abstract of the United States 1971*, GPO, Washington, 1971, p. 467.

[2] See S. L. Vygodsky, *Contemporary Capitalism (Essay of Theoretical Analysis)*, Mysl Publishers, Moscow, 1975, p. 12 (in Russian).

2. Finance Capital, the Result of the Merger of Industrial and Banking Monopolies

Finance capital is monopoly bank capital which has merged with monopoly industrial capital. Lenin says: "Finance capital is the bank capital of a few very big monopolist banks, merged with the capital of the monopolist associations of industrialists." [1] The scientific theory of finance capital was first worked out by Lenin, who says: "The concentration of production; the monopolies arising therefrom; the merging or coalescence of the banks with industry—such is the history of the rise of finance capital and such is the content of that concept." [2]

Finance capital—the economic hallmark of imperialism—*has a two-fold structure reflecting the duality of the spun-off forms of industrial capital,* i.e., on the one hand, its productive form represented by industrial capital as such, and on the other, its money and commodity forms represented, respectively, by bank and commercial capital, which are in a sense reunited in the form of finance capital in the epoch of imperialism—but on a new monopoly level.

Lenin's analysis was based on both the monopoly nature of finance capital and the duality of its structure.

With the growing concentration of the banking business, as a reflection of the growing concentration of capitalist production, the banks cease to be modest middle-men ensuring a profitable application for the industrial bourgeoisie's temporarily uncommitted money capitals, and develop into almighty monopolists in a position to control the enterprises they finance, by decreasing or increasing credit. There is also a development of the banks' dependence on monopoly industrial capital (through the purchase of a controlling interest, personal union, etc.) which absorbs the bulk of the bank credits and takes up large uncommitted bank funds in the form of investments. The shaping of finance capital through the coalescence of banking and industrial monopolies results from their mutual dependence on each other with the mounting concentration of production and capital and the development of capitalist forms in which production and circulation are socialised.

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[1] V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, p. 266.

[2] Ibid., p. 226.

A basic economic hallmark of imperialism, the highest and last stage of the capitalist mode of production, finance capital also contains the general characterisation of that stage. While the definition of imperialism as the monopoly stage of capitalism shows its economic substance, the definition of imperialism as the epoch of finance capital accentuates the main form of capital which exercises the monopoly domination. That is why we frequently find Lenin defining imperialism from two sides: first, from the standpoint of the new—monopoly—position which the biggest capital came to occupy in economic and political life in the developed capitalist countries from the early 20th century, and second, from the standpoint of finance capital, the definitive form of capital, which established its domination in those countries. So Lenin writes about the transition of capitalism "to the stage of monopoly capitalism, to finance capital", and says that "imperialism, or the domination of finance capital, is ... [the] highest stage of capitalism", and that "imperialism is the epoch of finance capital and of monopolies".[1] Lenin makes frequent use of the term "epoch of finance capital" as a synonym for the category "imperialism". He also writes about the epoch of finance capital as "a historically concrete epoch which began at the turn of the twentieth century".[2]

Finance capital is a two-fold phenomenon, and this is due to the two-fold functional forms of industrial capital: the money and commodity capital, on the one hand, as the forms of capital relating to circulation, and the productive form of capital, on the other, as the sole form within whose framework the process of production takes place. It ultimately springs from the dual nature of the commodity-producers' labour under capitalism. Finance capital reunites on a new—monopoly—basis the functional forms of industrial capital which had earlier assumed separate forms, and in this context Hilferding said: "The concrete character of capital is extinguished in finance capital."[3]

Let us recall that bank capital is a spun-off money form of industrial capital which is subordinate to its movement. The money form of industrial capital, an expression of the

[1] V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, pp. 255, 238, 297.

[2] See ibid., pp. 236, 243, 255, 260, 270, 271-72, 289.

[3] Rudolf Hilferding, *Das Finanzkapital*, Ignaz Brand & Co., Wien, 1910, S. 296.

abstract character of the commodity-producers' labour, is actually separated from the production form of industrial capital, which is the sole phase in the movement of industrial capital in which the "real metamorphosis" of the commodity takes place, i.e., in which there is a change not only in the form of its value (as there is in its other metamorphoses), but also an increase in the value of the applied capital, and the creation of a new use-value as a result of the functioning of the commodity-producers' concrete labour.

It is also important to bear in mind that finance capital, arising as it does from a coalescence of monopoly banks and monopoly industrial capitals, does not do away with the distinctions between the forms of bank and industrial capitals. However, finance capital reunites the movement of bank and industrial capitals, which earlier separated from each other, but naturally does so in a capitalist form and, for that reason, incompletely, anarchically and for the benefit of the big bourgeoisie, so stepping up the exploitation of the working class.

The emergence of finance capital is one of the crucial manifestations of capitalist socialisation, a process in which the biggest monopoly capital establishes its growing control over the aggregate movement of earlier separated forms of social capital. In the process there arises a tendency not only for the merger of bank and industrial capitals, but also—on that basis—a tendency for these forms of capital to coalesce with commercial capital, private property in land, monopolies in communications, state monopolies, including state finance, and also insurance companies, pension funds, and similar other bodies operating as monopoly financial institutions. With the banks' speculation in land round the major cities in mind, Lenin says: "The monopoly of the banks merges here with the monopoly of ground-rent and with monopoly of the means of communication." [1] Elsewhere, Lenin remarks: "Private and state monopolies are interwoven in the epoch of finance capital." [2] This tendency for the various forms of social capital to unite on the basis of finance capital has now attained a high degree of maturity, thereby developing the tendency towards the monopolisation not only of all the stages of production of the

[1] V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, p. 235.
[2] Ibid., p. 251.

corresponding use-values, and diverse spheres of economic activity, but also of all the other phases of the circuit of industrial capital and of its separated but subordinate forms of capital.

This tendency runs to its completion only under the socialist socialisation of all the spheres of the economy through the establishment of social property in the means of production and circulation, land and means of transportation, banks and the state budget. In the process, there is a radical change in the socio-economic substance of the tendency. The completion of the finance capital-generated tendency towards socialisation, effected on a new, socialist basis, signifies the total liquidation of every form of man's exploitation of man.

One of the first descriptions of some manifestations of finance capital, including its dual structure, was given by the well-known English bourgeois economist John A. Hobson in a work entitled *Imperialism* (1902). He held that one of the distinctive features of the "new imperialism" was "the dominance of financial or investing over mercantile interests",[1] and as a corollary, "the predominance of the financier over the merchant".[2] Hobson saw the dominant positions in the economy of developed capitalist countries increasingly taken over by banking and industrial barons, who joined hands for the purposes of expansion and maximisation of profits. Hobson established the fact that finance capital was taking shape and that it had a dual structure, without disclosing either its socio-economic substance, or its historical place. He showed that the pressure of financial and industrial motivations on the part of energetic and well-organised businessmen acting out of direct material self-interest was the controlling and governing force of the whole process, thereby actually describing the formation of the financial oligarchy on the basis of finance capital.

An attempt to formulate a scientific theory of finance capital from a Marxist angle was made by Rudolf Hilferding, a leader of the Second International, in his work entitled *Das Finanzkapital* (1910), which as a whole, Lenin said, was "a very valuable theoretical analysis of 'the latest phase of capitalist development' ", although it did have some

[1] Quoted in: V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, p. 269.

[2] Ibid.

important theoretical and political flaws.[1] While Hillerding made a major stride forward in the study of finance capital, he was unable to produce a truly scientific analysis, and his methodology revealed "a certain inclination on his part to reconcile Marxism with opportunism",[2] notably his adherence to the so-called exchange conception, so that he declared commodity relations to be the immediate starting point for an analysis of finance capital.[3] The fact is that finance capital does not spring directly from commodity relations either historically or logically, but originates from the monopolisation of capitalist production and circulation, so that capitalist monopoly alone can be the theoretical point of departure in its analysis. Hilferding's definition of finance capital as capital which is at the disposal of banks and which is used by industrialists[4] ignores the monopoly character of bank and industrial capitals, whose coalescence actually leads to the formation of finance capital, although before and after giving that definition, Hilferding presents an array of facts and figures showing capitalist monopolisation both of industry and of the banks. The absence of that essential point in his definition leads to a distortion of the nature of finance capital and deprives it of its historical framework, since at every stage of capitalist development bank capital has been used by industrialists.

Hilferding in fact established only one aspect of finance capital, namely, the coalescence of bank and industrial capitals, i.e., the formation of its dual structure, which, moreover, he one-sidedly defined as the power, the dominance of the banks over industry,[5] although in actual fact the merger of banking and industrial monopolies results in their mutual dependence on each other. His failure to understand the substance of finance capital and the actual correlation of its constituent structural elements led him to formulate the apologetic theory of "organised capital", when characterising the "historical tendencies of finance capital", a theory according to which the concentration of production and capital made the formation of a "general cartel" a reality. In this connection, Hilferding said: "There all cap-

[1] V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, p. 195.
[2] Ibid., p. 195.
[3] Rudolf Hilferding, op. cit., S. 34, 42.
[4] Ibid., S. 94.
[5] Ibid., S. 212-13.

italist production would be consciously regulated from something like a single centre which determined the scale of production in all its spheres." [1] He drew such a conclusion because he had abstracted himself from the concrete historical character of the tendency towards the formation of a "general cartel", namely, the objective inevitability of sharpening antagonistic contradictions within capitalism with the growing monopolisation of the economy, in virtue of which capitalism has to give way to socialism long before the appearance of some "general cartel" becomes a more or less realistic prospect.

However, his on-the-whole untenable characterisation of the tendency towards the formation of a "general cartel" enabled him to come fairly close to an understanding of the monopoly nature of finance capital and the actual content of its dual structure. He said: "The tendency to the creation of such a general cartel and the tendency to the establishment of a central bank coincide, and from their merger springs the great concentrated power of finance capital." [2] He saw that finance capital was being converted into an objective prerequisite for socialism, and wrote: "By fulfilling the function of socialising production, finance capital facilitates the overcoming of capitalism in an extraordinary way." [3] In his main work, he considered finance capital as a key commanding height whose takeover by the proletarian state would "immediately put at its disposal the most important branches of production". [4]

The contradictory and on-the-whole opportunistic evolution of Hilferding's view of finance capital culminated in the period of the bourgeois-democratic revolution in Germany in 1918, when Hilferding, delivering a report on "socialisation" at the First German Congress of Workers' and Soldiers' Soviets (December 20, 1918), came out against the nationalisation of the banks under the false slogan: "First Economic Rehabilitation, then Socialisation". In practice that meant a rehabilitation of the economy in a capitalist form and the bolstering of the positions of the German bourgeoisie, which had been shattered after the defeat in the war and the November 1918 revolution.

The case shows that the two-fold character of socio-eco-

[1] Rudolf Hilferding, op. cit., S. 295.
[2] Ibid., S. 295-96.
[3] Ibid., S. 473.
[4] Ibid.

nomic phenomena under capitalism is now and again expressed in political slogans as well. Indeed, what is the basis for the slogan "First Economic Rehabilitation, then Socialisation", which the bourgeoisie used not only after the November 1918 revolution in Germany, but also after the "captains' revolution" in Portugal and in several other similar cases?

The idea of "economic rehabilitation" is to prevent any revolutionary transformation of the economy, so as to safeguard and consolidate the bourgeoisie's economic and political positions. The slogan seeks to present the "economy" as a simple process of labour without its socio-economic integument, in its pure form, which is why "economic rehabilitation" is presented as a mere development of production as such, without relevance to any form of property. Here the socio-economic form of production is made to appear as being isolated from production, with its transformation being regarded as separate in time from the economic rehabilitation, which is presented as the rehabilitation of production of use-values as such.

But in actual fact, production always exists within a definite system of social production relations, it is always in the hands of this or that group of proprietors of the means of production, which is why *"economic rehabilitation" is a slogan that, given the domination of capitalist property, has two aspects*: first, the rehabilitation of the productive forces and the ordering of the labour-process as such, as the process in which use-values are produced, and second, the restoration of the old social production relations, in that case, capitalist relations of production, i.e., the value-expanding process as the process of the bourgeoisie's exploitation of wage-workers. That was bound to strengthen both the economic and the political positions of the bourgeoisie, and that is what actually happened in the above-mentioned countries in the post-revolutionary period. Once the economy was "rehabilitated"—meaning the actual restoration of the bourgeoisie's domination—it was altogether futile even to consider "socialisation".

Hilferding's contradictory theoretical approach to finance capital showed up the shortcomings characteristic of the methodology he used to analyse the phenomenon. He failed to bring out the fact that capitalist monopoly had to be the point of departure in analysing finance capital under imperialism, since it determined the whole range of the new

economic phenomena in that epoch, and the very economic substance of that stage of capitalist development. He ignored the important fact that any approach from the standpoint of the commodity and its dual structure, i.e., an approach from the standpoint of the dual nature of labour contained in commodities, to an analysis of economic phenomena in the epoch of imperialism could yield positive scientific results only if it was organically combined with an examination of these phenomena from the standpoint of the definitive role of capitalist monopoly.

What is known as the holding system acts as the main spring of coalescence of monopoly bank and monopoly industrial capitals which defines the two-fold structure of finance capital. Lenin says that "paramount importance attaches to the 'holding system'",[1] which is based on the buying up of a controlling interest in industrial companies, banks, etc., so allowing big capital to dominate a total amount of the capital of others which is many times greater than one's own capital. That is made possible by the joint-stock form of capital and the hierarchical dependence which takes shape between joint-stock companies. Big capital at the head of a giant financial empire controls a total amount of capitals which is many times larger than its own through the controlling interest of the "parent company" which has at its disposal the controlling interests of a great many "daughter companies", which in their turn have at their disposal the controlling interests of "grandchild companies". Lenin cites the example of the General Electric Company (AEG), which controlled 175 to 200 companies and a total capital of approximately 1,500 million marks with an annual income of 362 million marks.[2]

Finance capital provides the monopoly bourgeoisie with fresh opportunities for enrichment through the joint-stock form of capital, the monopoly positions of finance capital, and the coalescence of the power of the banking and the industrial monopolies, i.e., from its dual structure. Promotional profit, which is the differential between the real value of the enterprises and the amount of issued stock, the difference between the nominal and the actual value of joint-stock capital, attains gigantic proportions. The floating of securities, from which the financial magnates reap ex-

[1] V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, p. 227.

[2] See ibid., pp. 230, 247.

ceptionally high profits, is one of the main operations of finance capital having an important role to play in the development and consolidation of the positions of the financial oligarchy. State loans, speculation on stock-exchange quotations, currency exchange-rates, speculation in land round major cities and transport routes, and governmental arms contracts—those are only some of the operations which enable finance capital to levy tribute from the whole of the society in favour of the monopolists.

Finance capital is most intimately connected with all the basic features of imperialism. The origination of finance capital is itself one of the hallmarks of this stage in the development of capitalism. It is finance capital that is the chief exporter of capital, which has enabled it to establish a world-wide system of imperialist oppression and exploitation of the peoples.

3. The Contradictions between the Material (Natural) and the Value Aspects of the Export of Capital

Lenin says that "the export of capital" is "one of the most essential economic bases of imperialism".[1] The direct export of capital is the export of value designed for the production of surplus-value, but in virtue of the dual structure of capital—its value and material (natural) aspects—the *export of capital is likewise a two-fold phenomenon,* with an intricate and contradictory interconnection existing between the two aspects. Whereas the export of capital in its productive form, say, in the form of producer equipment, simultaneously presents itself as export of capital in value form, the export of capital in value form (say, the extension of money capital as credit) far from always acquires the material (natural) form of productive capital.

The export of capital by the imperialist powers to the developing countries is characterised by a break between the movement of capital in its material (natural), productive form, and its movement in value form. Whereas the export of capital in value form has a tendency sharply to expand, the export of capital in material, productive form tends considerably to lag behind, this lag being a specific expression of the growing exploitation of the developing countries by the imperialist powers, exploitation that is

[1] Ibid., p. 277.

practised with the use of the developing countries' own resources. The fact is that a sizable part of the foreign monopolies' new capital functioning in developing countries accrues from a re-investment of profits extracted in these countries, and does not amount to any influx of funds, let alone of any production equipment from the developed capitalist countries. In those conditions, the working people of the developing countries are forced to create the means of their own exploitation by the imperialist powers, so that the production enterprises owned by the foreign firms in developing countries are entirely converted, with the passage of time, into the material embodiment of the unpaid labour of wage-workers in the developing countries, even if they had originated from the export of industrial capital from developed capitalist countries.

The re-investment of profits tends rapidly to increase the foreign monopolies' capital investments, swelling the foreign capital to tremendous proportions in terms of value, which is many times greater than the capital exported in its productive form, with the profits repatriated by the foreign monopolies from the developing countries proliferating to an even greater extent.

Against such a background, the truly exploitative substance of the export of capital stands out in bold relief, for even on the surface of things it is seen as the export of the relations of exploitation of the developing countries by the imperialist powers, promoted by the spatial division, which is characteristic of the export of capital, between the functioning of the advanced capital value (in a developing country), and the appropriation of the result, surplus-value (in an imperialist country).

Suffice it to say, for instance, that in the 21 years from 1945 to 1966, the imperialist countries received in the form of earnings on invested capital in the developing countries more than they had invested in these countries in the hundred years from 1855. The profits on foreign capital being repatriated from the developing countries are double and treble the amount of the total capital exported by the imperialist countries to the developing states. In the decade between 1970 and 1980, for instance, the total volume of direct investments (including re-investments) in the developing countries totalled $62.6 billion, while the profits on the direct investments accruing to the exporters of capital came to $139.7 billion, or 2.2 times the

volume of investments.[1] In the light of that fact, one could easily estimate the scale and dynamics of the export of capital and its consequences for the developing countries. In 1967, the total direct private investments abroad by all the developed capitalist countries totalled $101.3 billion, but within only 4 years, the figure had increased by roughly 50 per cent to $153.3 billion in 1971. Within another 5 years, the figure had almost doubled to $270.4 billion in 1976. Roughly one-half of that capital belonged to the United States: in 1977, US direct private investments abroad equalled $148.8 billion.[2] In 1981, the book value of US direct investments abroad (at year end) reached $227.3 billion, and those of the three centres of imperialism taken together (USA, Western Europe and Japan)—nearly $500 billion.[3]

The yawning gap between the economic development levels of the newly-free countries and the imperialist powers has developed quite naturally as a result of the growing exploitation: in 1950, the developing nations had an 11-fold economic lag behind the imperialist countries, and in 1977—13-fold.[4]

This brings out the true substance of the export of capital to the developing world as a social form of gratuitous extraction of a part of the developing countries' national income by the imperialist powers.

Bourgeois economists seeking to cover up the exploitative substance of the export of capital usually try to identify the foreign monopolies' self-expansion of capital through the addition of surplus-value funneled from the developing states to the imperialist countries with its material (natural) and mainly productive form, presenting it as an export of things—producer equipment, funds, etc.—from the industrialised countries to the developing nations, and as a specific form of "aid" going from the former to the latter. Such an identification of the value and the material (natural) aspects of the export of capital totally distorts its socio-economic substance and gives a false picture of the economic

[1] See L. Dvorzhak, *The Economic Foundations of Neocolonialism*, Mysl Publishers, Moscow, 1969, p. 180 (in Russian); *Mirovaya ekonomika i mezhdunarodniye otnosheniya*, No. 5, 1983, p. 74.

[2] See *Transnational Corporations in World Development*, New York, 1978, p. 320; *Survey of Current Business*, August 1978, p. 57.

[3] *Mirovaya ekonomika i mezhdunarodniye otnosheniya*, No. 1, 1984, p. 46.

[4] Ibid., No. 6, 1979, p. 50.

relations between the developing and imperialist countries. However, bourgeois theories of the export of capital can lay no claim to having a monopoly on that kind of identification of concrete and abstract labour processes: it is a typical feature of vulgar bourgeois political economy generally.

4. The Two-Fold Economic Basis of Neocolonialism

Let us bear in mind that the completion at the turn of the century of the economic and territorial partition of the world between the imperialist powers and the formation of colonial empires—the British and the French among others—were the key signals that capitalism had entered upon its highest and last stage, the stage of monopoly capitalism. After all, one of the essential manifestations of capitalist monopoly is the monopoly possession of colonies.

With the whole world economically and politically shared out between the capitalist monopolies and the bourgeois states at the turn of the century, the colonial exploitation of underdeveloped and dependent countries became the most important component part of the world capitalist economic system which had taken shape by the end of the 19th century.

That alone makes it clear that colonialism in the epoch of imperialism is a highly complex phenomenon, which cannot at all be reduced to a policy of colonialism. For that reason the collapse of the political system of colonialism and the emergence on its ruins of dozens of politically independent states after the Second World War should not be seen as signifying the elimination of colonialism as such, let alone the self-liquidation of imperialism.

While the winning of political independence by the former colonies and semi-colonies is exceptionally important, it signifies the undermining of only one pillar of imperialism as the monopoly stage of capitalism, namely, of the political partition of the world between the imperialist powers. The liquidation of capitalist slavery in Russia, the building of socialism in the USSR, and the rapid development of the world socialist economy constituted a paramount factor in this process, as also in the whole world revolutionary movement against capitalist exploitation and oppression.

In a sense, the economic content of colonialism was laid bare by the collapse of its political system. But in many

cases, the winning of political independence by former colonies did not at all rid them of exploitation by their former metropolitan masters and other developed capitalist countries, exploitation which is expressed in the gratuitous appropriation of a part of the national income of the former colonies by the former metropolitan and other countries through the export of capital, and trade, monetary and other relations.

After the Second World War and the collapse of the political system of colonialism, a specific system of exploitation and oppression of economically less developed countries took shape and is known as neocolonialism. In contrast to the old colonialism, under which the exploitation of the colonies relied on direct political and military coercion of the colonies by the metropolitan countries, neocolonialism practises the exploitation of the former colonies without the use of force and mainly by economic means. However, the system of neocolonialism, too, rests not only on the economic strength of the imperialist powers, but also on political and military coercion, which assumes overt forms whenever the exploited and dependent countries try to throw off the imperialist yoke of neocolonialism, as the people of Vietnam, Cuba, Angola, Ethiopia, Nicaragua and a number of other countries have done.

How has it proved possible to exploit the former colonies which had risen to political independence, and to do so without using direct armed force against them?

The answer to that question is provided by an analysis of the economic basis of neocolonialism, which shows that the latter relies on the colonial distortion of the mode of production (whatever it may be) in the former colonies and dependent countries, a distortion of its two sides: the productive forces and the relations of production.[1]

The distortion of the former colonies' productive forces, which permeates all their component elements, consists in a retardation of the development of the productive forces, the cultivation of their backwardness by the imperialist powers, and backwardness of the objects of labour, of the instruments of labour, and of labour itself. A one-crop (one-commodity) economy is implanted in the underdeveloped countries, i.e., they are forced to specialise in producing one or a few raw-material or food commodities, which these

[1] See L. Dvorzhak, *The Economic Foundations of Neocolonialism.*

countries cannot, as a rule, use for their own consumption, to say nothing of using them to develop their productive forces. Consequently, labour in the countries dependent on imperialism is invested with a concrete form which does not allow it to turn out products that are use-values within the former colonies. For that reason, the products they do turn out have to be exported, for otherwise the labour expended on their production would be totally wasted.

The world capitalist market is, however, dominated by capitalist monopolies, so that the products of labour of the countries dependent on imperialism which are not use-values for them can be exchanged for commodities produced in the developed capitalist countries only on the terms dictated by the capitalist monopolies.

It is perfectly obvious, therefore, that the crucial reason for the backwardness of the countries dependent on imperialism lies in the retardation of development of their productive forces, the agrarian and raw-material character of their economies, and the embryonic development of their industrial production, all of which are used by the capitalist monopolies to exploit these countries. There is the well-known "price spread" between the products of the underdeveloped countries and the imperialist powers, the depression of the prices for the products exported by the countries dependent on imperialism or their slower growth as compared with the rapid growth of the prices for the products turned out by the imperialist powers. But the backwardness of the countries dependent on imperialism is realised in the form of the capitalist monopolies' growing profits not only through the "price spread" system. Because of the backwardness of labour in the underdeveloped countries, which is expressed in its low productivity, lesser complexity, and so on, a greater quantity of labour of the underdeveloped countries is exchanged on the world capitalist market for a lesser quantity of the more complex labour of the developed capitalist countries, in accordance with the law of value. Economic backwardness induces the former colonies continuously to borrow from the banks of the imperialist states, to yoke themselves with the great burden of debt and to be in everlasting debt to the imperialist countries. By the mid-1980s, the newly-free countries' debt to the imperialist powers had topped 1,000 billion dollars.

The colonial distortion of the relations-of-production sys-

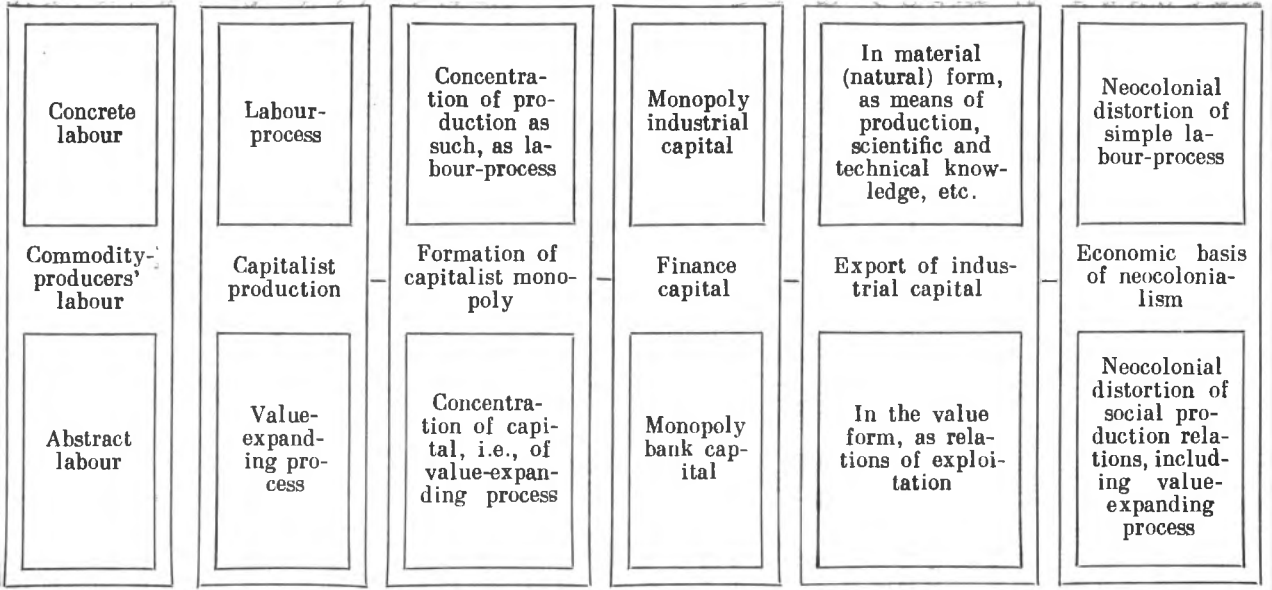
tem in the former colonies and dependent countries is the other side of the economic basis of neocolonialism, and it includes the retardation of the development of commodity relations and the division of labour, the conservation of feudal and semi-feudal (latifundism, etc.) and frequently even more archaic relations, and so on, all of which serves to cultivate the economic backwardness of the former colonies and dependent countries.

But that is a process which should not be oversimplified. What the capitalist monopolies engaged in exploiting the dependent countries want is not so much an absolutely low level of development of the productive forces and the relations of production in these countries as a relative and considerable lag (by several orders) behind the developed capitalist countries, which is the all-important thing for the capitalist monopolies seeking to preserve and reproduce the dependence and backwardness of the developing nations.

There is clearly an internal connection between the backwardness of the economically underdeveloped countries and their dependence on imperialism: backwardness produces dependence, and the latter is the decisive factor which determines backwardness. What this signifies is that within the framework of the world capitalist economy there is an objective law constituting the economic basis of neocolonialism: the law of the reproduction of backwardness and dependence, which is engendered by the domination of the capitalist monopolies.

It is not surprising, therefore, that in the nearly 100-year history of the monopoly stage of capitalism (the transition to it began, it will be recalled, in the 1870s), not a single country dependent on the imperialist powers and exploited by them, not a single former colony or semi-colony remaining within the framework of the world capitalist economic system has reached the modern level of development of the productive forces and culture. It is a matter of historical record that it is only those countries that have escaped from the system of exploitation and oppression and have taken the way of socialist construction which can overcome the lag behind the developed capitalist countries. The liquidation of the capitalist monopolies' domination alone can help to eliminate the backwardness of both the productive forces and the relations of production—this economic root of neocolonialism—as the socialist economic system takes shape

Fig. 32


Concrete labour
Commodity-producers' labour
Abstract labour
Labour-process
Capitalist production
Value-expanding process
Concentration of production as such, as labour-process
Formation of capitalist monopoly
Concentration of capital, i.e., of value-expanding process
Monopoly industrial capital
Finance capital
Monopoly bank capital
In material (natural) form, as means of production, scientific and technical knowledge, etc.
Export of industrial capital
In the value form, as relations of exploitation
Neocolonial distortion of simple labour-process
Economic basis of neocolonialism
Neocolonial distortion of social production relations, including value-expanding process

and develops, so paving the way for genuine social progress and the people's well-being.

An analysis of the economic hallmarks of imperialism shows, therefore, that their structure is ultimately bound up with the dual nature of the commodity-producers' labour under capitalism, while their socio-economic substance is directly determined by the domination of the capitalist monopolies, constituting the economic content of imperialism as the highest and last stage of capitalism (see Fig. 32).

Chapter Eight

WHAT MARX'S DUAL-NATURE-OF-LABOUR DOCTRINE SIGNIFIES FOR A CRITIQUE OF PRESENT-DAY BOURGEOIS POLITICAL ECONOMY

Any critique of present-day bourgeois political economy should be organically combined with an analysis of the existing economic realities, the new economic phenomena above all. Bourgeois political economy can be successfully criticised and its conceptions shown to be apologetic and untenable only in the light of a scientific analysis of the socio-economic processes under way in the capitalist and the socialist economy. The approach is exemplified by Marx's dual-nature-of-labour doctrine, which is simultaneously an instrument for the cognition of economic processes, and so also a powerful instrument for criticising bourgeois political economy.

The dual-nature-of-labour doctrine is a truly scientific method which enables political economy to disclose the dual nature of all the phenomena of the commodity economy, to draw a clear-cut distinction between the material content and the socio-economic form of economic processes, and to bring out the specific economic laws of the historically-frameworked mode of production in contrast to general economic laws. Since the doctrine establishes the general properties of two types of economic processes (concrete labour-processes, on the one hand, and abstract labour-processes, on the other), it contains definite information not only on the economic phenomena that have been studied, but also on those which are still to be studied.

Marx regarded the two-fold character of the labour embodied in commodities as "the pivot" of any scientific analysis of capitalism on which a clear comprehension of the whole of political economy turns.[1] Conversely, failure to under-

[1] See Karl Marx, *Capital*, Vol. I, p. 49; *The Marxist-Leninist Theory of Value (Methodological Problems)*, Mysl Publishers, Moscow, 1971.

stand the two-fold character of labour and its special role within the capitalist mode of production necessarily leads to a failure to comprehend both the individual economic phenomena and processes, and the system of deep-seated uniformities of the capitalist economy as a whole. The implication is that a critical analysis of bourgeois political economy in the light of the dual-nature-of-labour doctrine helps to bring out the actual content both of its individual propositions and theories, and of all of them taken together as a body.

Bourgeois economists characteristically identify the processes of concrete and abstract labour for an advocacy of capitalism and the ideological struggle against real socialism and the working-class and national liberation movements, and do so ultimately because of the class nature of the bourgeois economic theory. Let us bear in mind that capitalism is historically doomed because of its basic contradiction: the growing discrepancy between the capitalist relations of production and the increasingly social character of the productive forces. That is precisely why bourgeois economists have tried very hard to close all the avenues—*at every level of the process of cognition*—to an understanding of this contradiction, and in fact, of the very distinction between the productive forces and the relations of production under capitalism, a distinction that sums up the difference between concrete and abstract labour-processes. Indeed, the ideological purposes of vulgar bourgeois economics are not served by the exceptional cognitive potentialities latent in the dual-nature-of-labour doctrine, and instead of delineating, it insists on *identifying concrete and abstract labour-processes, which is the sum and substance of the general principle of vulgar political economy*, i.e., economics. It is a general principle of economics in the sense that this identification is a characteristic feature of any unscientific theory, category or system of political economy, whatever the form they may assume. It is also general in the sense that it sums up all the methodology of unscientific economics (the metaphysical approach to economic phenomena and their idealistic or vulgar-materialistic interpretation).

1. The Dual Nature of Labour and Marx's Critique of Bourgeois Political Economy

We find, therefore, that Marx's dual-nature-of-labour doctrine was "the pivot" not only for a scientific analysis of capitalism, but also for his critique of bourgeois political economy.

If one is to discover the character and scale of Marx's use of his dual-nature-of-labour doctrine in criticising bourgeois political economy, one has to reproduce, step by step, his critical analysis of bourgeois economic theory, but for reasons of space we shall have to confine ourselves to citing only a few relevant examples.

Marx's studies of both classical and vulgar bourgeois political economy show that their theoretical constructs broadly rest on an identification of concrete and abstract labour-processes, although in this and in many other respects there is a difference in kind between these two lines of bourgeois economic thinking.

It was typical of the classics instinctively to separate two aspects of labour, for they failed to see their inner contradictory unity and so strove in their examination of economic processes to accentuate one-sidedly either the useful, purposeful form of labour or labour in its function as the source of commodity-value. Hence their inevitable contradictory interpretation of economic phenomena producing a patchwork of scientific and vulgar elements in their theories, as epitomised in the contradictions of Adam Smith's economic theory.

The vulgar economists, whose theories reflected the decline of bourgeois theoretical thinking, found the contradictory interlacing of concrete and abstract labour-processes to be favourable ground for spinning out apologetic economic theories. Whereas the classics' mistakes and misconceptions in their view of the dual-nature-of-labour problem reflected important stages in the shaping of the scientific method of analysing economic processes, the forms in which the vulgar economists identified concrete and abstract labour-processes reflected the evolution of the methods used in framing apologetic theoretical systems.

Adam Smith, with his highly contradictory approach, exemplifies the most consistent confusion of concrete and abstract labour-processes in classical bourgeois political economy. As a rule, he took a contradictory approach to the

same economic problems when viewing them from different angles: from the angle of the outward form in which economic processes were expressed, and from the angle of their internal content. Marx notes the typical intermingling in Smith's writings of the esoteric and exoteric methods of analysis. [1]

A study of Smith's theory shows that the duality of his methodology sprang from his urge, however instinctive, to rely on the dual nature of the commodity-producers' labour. A description of the outward form of economic processes in fact signified a reflection of the various manifestations of concrete labour, since that aspect of labour and its results were open to direct perception by the human mind, whereas the attempts to bring out the internal connections of economic processes led to a consideration of economic phenomena from the standpoint of abstract labour. Such a method was scientifically untenable because Smith failed to draw a distinction between concrete and abstract labour and failed to understand the relation between them, and so also the relation between the outward forms and the content of economic processes under capitalism at the pivotal point of analysis. Hence the one-sided and contradictory theoretical results—and that throughout the whole system of his economic views.

Marx's scrutiny of the "scientific premises" of Smith's economic theory is highly important in this context. Let us recall that Smith took a contradictory approach to the value structure of the social product. In one case, he reduced it to the sum of the revenues: wages, profits and rents, i.e., in effect to $v+m$, or the value of the variable capital and surplus-value. That is known as the "Smith dogma", and it has had a markedly negative influence on the whole of the subsequent history of bourgeois political economy. In another case (the concept of gross and net income), Smith also identified a fourth element, namely, the value of the part of the constant capital expended on the production of the given product (c) which he called the "expense of maintaining the functioning capital". Marx adds: "Adam Smith himself ... overthrows his own theory, without however being conscious of his contradictions. But their source is to be found precisely in his scientific premises." [2]

[1] See Karl Marx, *Theories of Surplus-Value*, Part II, pp. 165, 166.
[2] Karl Marx, *Capital*, Vol. II, p. 378.

It is worthwhile to ponder this apparently paradoxical proposition: *the source of the contradictions in Smith's theory lies in his scientific premises*. What are these "scientific premises"? We find the answer in Marx's analysis of the methodology of *Smith's dual interpretation of the annual social product*.

First, Smith says: "The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes." [1] In that case, the result of the annual labour is regarded as the sum-total of all the use-values produced in the course of the year. Consequently, here we find Smith viewing the problem from the standpoint of the simple labour-process, that is, of concrete labour, which is known to be the source of use-value. Smith's approach there is, of course, instinctive and does not rest on anything like an elaborate methodological basis. He takes, Marx says, "the one-sided standpoint of solely useful labour, which has indeed given all these means of subsistence their consumable form". [2]

Second, Smith regards the results of the annual labour of every nation as the sum of all the values produced in the course of the year. The labourers, he says, add to the material which they subject to treatment, a value which, over and above the equivalent of their wages, forms the capitalist's revenue. The workers do not create any other value. The value created by the annual labour resolves itself only into revenues: wages, profit and rent. There, it is abstract labour that is the premise for analysing the results of the society's annual labour, so that whereas in the first case the result of the "annual labour of every nation" appears as the sum-total of use-values, in the second case, it is the sum-total of the value created in the course of the year. In the first case, Smith considers the annual social product, and in the second, actually considers the society's national income.

Marx shows that Smith's method is limited and scientifically untenable because of his one-sided approach to the phenomena of the capitalist economy either from the standpoint of concrete labour, or from the standpoint of abstract labour. Nowhere does Smith draw a conscious and clear-cut distinction between labour as the source of use-value and

[1] Quoted in: Karl Marx, *Capital*, Vol. II, p. 381.
[2] Ibid.

labour as the source of commodity-value, and the result is an unwitting confusion of the results of the functioning of concrete and abstract labour: "He does not distinguish the two-fold nature of labour itself," says Marx about the methodological basis of the "Smith dogma".[1] That is, in particular, the origin of his confusion between the total value of the annual social product and the part of that value newly created in the course of the year, and so also his confusion of the annual social product and the national income.

Nevertheless, the contradictions in Smith's economic theory were seminal for the development of both economic theory proper, because they contained within themselves the formulation of important theoretical problems, and of a scientific methodology of economic analysis, because these contradictions raised the question of their origins and led to an understanding of the paramount methodological role of the dual nature of labour.

Vulgar political economy is another matter. For that trend in bourgeois economic thinking, the confusion of concrete and abstract labour-processes is a generally accepted principle, as will be seen most glaringly from the "factors of production" theory, which Marx so brilliantly showed to be factually and methodologically wrong. The main purpose of the "factors of production" theory is to obscure the true source of bourgeois wealth, which is the bourgeoisie's appropriation of the unpaid labour of wage-workers. It concentrates on falsifying the substance of capitalist production *by identifying the labour-process with the value-expanding process, and their factors with one another.* Jean Baptiste Say, the founder of the theory, substituted the creation of use-value for the creation of value and surplus-value in an effort to present as the sources of value the factors involved in the labour-process, i.e., in the creation of use-value, namely: concrete labour, the means of production, and land.

The sources of the revenues, or incomes, of the three principal classes of the capitalist society, according to Say, are these three "factors of production": labour—the source of wages; capital—the source of interest (the capitalist's enterprise—that of entrepreneurial income); and land—the source of ground-rent. He reduced the relations between

[1] Ibid.

labour and capital to a mutual exchange of "services" between the workers and capitalists.

It followed that each "factor of production" allegedly created for its owner a corresponding revenue, or income, expressive of the part he took in production, so that neither profit, nor rent were created by the labour of the wage-workers: each received only that which his factor of production created.

That was a theoretical construct designed to justify the false thesis on a plurality of sources of value and incomes as a basis for the apologetic idea that wage-workers were not exploited, which is why there was nothing like class antagonisms in the capitalist society.

Because the "factors of production" theory is so apologetic, it is being broadly spread about even today by bourgeois economists, who have discovered other factors in addition to Say's three. One US economist insists that among the "factors" which "make the production of wealth" are "Land, Capital, Labour, Enterprise ... [as] a special form of labour".[1] So, the capitalist's labour in exploiting the workers is regarded as a source of wealth. Other economists claim that the economic activity of the bourgeois state is a similar factor.[2]

The well-known US economist Paul A. Samuelson likewise accepts the "factors of production" theory. In his view, "capital has a *net productivity*", while land brings an income in the form of "pure economic rent".[3]

The advance of the scientific and technical revolution (STR), which leads to ever greater automation and cybernetisation of production, is used by the bourgeois apologists, including the revisionists, to modernise the "factors of production" theory. Roger Garaudy, for instance, refers to automated production in his calls for abandonment of the central proposition of the Marxist theory of value on living abstract labour as the sole source of value. To illustrate his point he refers to a large automated shop in an oil refinery run by only 6 men, and asks: Can one continue to claim that the surplus-value being created is produced only by

[1] E. Nevin, *Textbook of Economic Analysis*, The University Press, Glasgow, 1970, p. 18.

[2] See, for instance, F. J. Wright, *An Introduction to the Principles of Economics*, Pergamon Press, Oxford, London, 1965, p. 18; H. S. Sloan, A. J. Zurcher, *Dictionary of Economics*, Barnes & Noble Books, New York, 1970, p. 163.

[3] Paul A. Samuelson, *Economics*, 10th ed., p. 600,

the "living" labour of these six working people? Will our "orthodoxes" have to wait until the appearance of fully automated plants to re-appraise the theory of value? Garaudy's point is that the "re-appraisal" should boil down to a recognition that embodied labour (in this case, automatons) is also capable of creating new value, and so surplus-value as well, that is, to a recognition of the vulgar-apologetic "factors of production" theory. Once again the revisionist claim to be developing Marxism has turned out to be a mere rehashing of old vulgar bourgeois economics.

The name of the theory is a reflection of the main apologetic trick which its advocates use: it is called the "factors of production" theory, despite the fact that capitalist production is known to be two-fold, so that its factors are likewise two-fold, which is why there can be no factors of production generally: there are factors of production of use-value, and the factor of production of value, which differs from them. The name of the theory goes to emphasise that it is based on an identification of these factors.

Despite the fact that abstract labour alone is the source of value, the advocates of the "factors of production" theory claim that it is created by the factors of the simple labour-process: useful, purposeful labour (concrete labour), the means of production, and land (as a specific means of production), which are involved in the creation of the commodity's use-value alone. That is why it would be more correct to designate it as the "factors of the production of value" theory to reflect its substance, which is the false idea concerning some plurality of the sources of value, based on an identification of the labour-process with the value-expanding process, and their factors with one another.

The "factors of production" theory is also wrong because it equates totally different phenomena. Marx says the following about the so-called factors of production: "The alleged sources of the ... wealth belong to widely dissimilar spheres and are not at all analogous with one another. They have about the same relation to each other as lawyer's fees, red beets and music." [1] Indeed, if land and labour (seen as man's relation with Nature) are common to all the modes of production and, as such, have nothing to do with the social form of production (the fact is that an attempt is made to derive rent and wages from these), the third "factor of production", capital, is a definite and histo-

[1] Karl Marx, *Capital*, Vol. III, p. 814.

rically transient relation of production which is characteristic of the capitalist mode of production alone.

If the "factors of production" theory were a correct reflection of the economic reality, so that the means of production, including the land, operated as sources of new value, economic practice would have had to face some highly unusual phenomena. The use of more efficient machines, technological schemes, producer equipment, and more fertile lands would not result in a lowering of the costs of production, or produce a downward trend in the commodity-unit value, and so also, in definite conditions, in its price. But the fact is that these processes are necessary corollaries of the growing productive power of social labour resulting from the use of more efficient means of production as elements of the simple labour-process not directly affecting labour as the source of value.

Even in automated production embodied labour does not, of course, become a source of value. The economic effect of automated production is determined by the following. First, once purposeful human activity has invested these automated mechanisms with the capacity of useful action on the object of labour, they become a source of the commodities' use-value. Second, as these automatons are subjected to wear and tear, the same purposeful form of their action on the objects of labour ensures the transfer of the value of the automated instruments of labour to the newly-produced commodities. Third, the lower individual value of the commodities turned out by means of the automated instruments of labour enables the owner to appropriate the differential between the individual and the social value of these commodities. Fourth, the law of the average rate of profit assures the capitalists of an average rate of profit on capital invested in automated production, although it is used directly to exploit only a small number of wage-workers. This law re-distributes the aggregate surplus-value created on the scale of the society as a whole in favour of the technically advanced industries at the expense of the others. Fifth, automated production, as a rule, implies a high level of concentration and monopolisation of production and capital, and this enables the monopolies to obtain a greater than average rate of profit on their capital through the system of monopoly prices, which re-distribute in their favour the new value created in the society, including the value represented in the necessary product.

It follows that such a relatively novel phenomenon as the automation of production does not warrant any re-appraisal of the labour theory of value so as to identify the processes in which use-value and value are created.

The dual-nature-of-labour doctrine also plays an important part in Marx's critical analysis of the disintegration of Ricardianism. He shows that the identification of concrete and abstract labour-processes was even more vulgar in the writings of Ricardo's followers. Having examined in detail the economic views of Robert Torrence, John Stuart Mill, Samuel Bailey, and John Ramsay MacCulloch, Marx drew the following conclusion concerning the theoretical views of the latter: "*Thus, with the identification of use-value and exchange-value ends this vulgarisation of Ricardo,* which we must therefore consider as the last and most sordid expression of the decline of the Ricardian school as such." [1]

For all the diverse alterations which vulgar economics has undergone throughout its history, it has invariably remained addicted to its general principle, whose forms have, of course, not remained unchanged. Nowadays, bourgeois economists sociologise the general principle of vulgar economics based on a confusion of the productive forces of capitalism and its system of social production relations as a whole, a feature most pronounced in the sectoral approach to defining the periods of the socio-historical process.

2. Periods of the Socio-Historical Process: the Sectoral Approach

Bourgeois economics finds itself in an extremely contradictory situation today, in this period of tempestuous revolutionary transformations and transition from capitalism to socialism. On the one hand, its class nature impels it to be entirely geared to the defence of the capitalist order, which it, in effect, assumes to be everlasting. On the other hand, it is confronted with considerable difficulties in advocating an idea that is so badly at odds with the historical record. That is why many bourgeois ideologists were forced to pay lip-service to the historical character of socio-economic processes, and, moreover, to recognise the non-capitalist line of present-day social development, while trying hard

[1] Karl Marx, *Theories of Surplus-Value*, Part III, p. 185 (emphasis added.—*Auth.*).

to obscure the real content of that development, and—in the final count—its objective socialist orientation.

The sectoral approach to the periodisation of the historical process has been importantly used in contemporary bourgeois writings to distort both the direction and content of contemporary socio-economic development.

The most typical exercise here has been performed by the US sociologist Daniel Bell, which he set forth in his "axial principle". His assumption is that the most diverse phenomena may be arbitrarily taken as the basis for periodising the historical process: concentration of administrative functions in the hands of the state, spread of democratic trends in the society, rationalisation of various spheres of social life, development of the production of goods, progress of machine technology, and so on. He says: "Conceptual prisms are logical orders imposed by the analyst on the factual order. But since the factual order is so multifarious and complex, many different logical orders—each with its own axial principle—can be imposed on the same time or social frame, depending on the questions one has in mind." [1]

By proclaiming complete arbitrariness in the selection of the "axial principle" for every epoch and social system, Bell in fact ignores the crucial scientific requirement that every logical system must be a theoretical reproduction of the actual reality, which is why it cannot be an arbitrary one. What is more, any logical system must establish, as the definitive factor (Bell's "axial principle"), the process which is in fact the definitive one in reality, and that requirement leaves little of the idea of arbitrarily choosing the "axial principle".

Bell contends that organisational, political, economic, technical and similar other processes could be designated as the "axial principle", despite the fact that they have a far from similar role to play in social development. Bell himself characteristically inclines to adopting economic processes as the "axial principle", but far from carrying him closer to a realistic view of the problem, it actually carries him away from it.

Let us bear in mind that in virtue of the dual nature of labour all economic processes are two-fold, having a mate-

[1] Daniel Bell, *The Coming of Post-Industrial Society*, Basic Books, New York, 1973, p. 11.

rial content, on the one hand, and a socio-economic form, on the other. What then is the basis of Bell's "axial principle"? He says: "The terms feudalism, capitalism, and socialism are a sequence of conceptual schemes, in the Marxist framework, along the axis of property relations. The terms pre-industrial, industrial, and post-industrial societies are conceptual sequences along the axis of production and the kinds of knowledge that are used." [1]

It is indicative that of the multiplicity of possible phenomena which he believes to be suitable as an "axis of reference" for the socio-historical process he names only two economic phenomena: property and "knowledge", with the latter actually symbolising the type of production—agricultural, industrial, or scientific—prevailing in this or that epoch. The two "conceptual sequences" resting on "property relations" and the "kinds of knowledge used", which Bell contrasts, are evidently a reflection of the dual nature of any historically-frameworked mode of production: the social relations of production and the society's productive forces.

It will be seen then that Bell tries to establish the periods of the socio-historical process on the basis of a one-sided principle, namely, the phenomena relating to the society's productive forces, while ignoring the qualitative definiteness of the dominant system of relations of production at different stages of development. The result is that the "axial principle" in effect boils down to the sectoral principle. Indeed, Bell's three stages of social development are characterised by the sector of production which is predominant at each stage: it is agriculture in the "pre-industrial" society; industry in the "industrial" society, and the services and science in the "post-industrial" society. *Bell's conception is based on an identification of the society's productive forces with its relations of production, and a substitution of the former for the latter.*

That is, in effect, the sectoral approach to periodising the socio-historical process, which is, in fact, made to rest on the various types of concrete labour: labour in agriculture, in industry and the services. Bell has discerned no more than the sectoral distinctions in the successive stages of development of only one aspect of social production, namely, the productive forces, and while these distinctions

[1] Daniel Bell, op. cit., p. 11.

are highly important in establishing the periods of development of the society's productive forces, they do not in themselves directly determine the socio-economic substance of the social system. Bell tries to dissolve the socio-economic distinctions between socio-economic formations within the sectoral distinctions of men's direct productive activity.[1] It follows that the sectoral principle for historical periodisation is just another version of the general principle of vulgar economics, which actually identifies concrete and abstract labour-processes.

It will be easily seen that such an approach is patently apologetic. Bell selects at random some phenomena of the productive forces as the criteria for periodisation, despite the fact that the two aspects of the mode of production—the relations of production and the productive forces—constitute the contradictory unity which contains both the main motive forces and collisions of social development, and the crucial criteria for its periodisation. That has allowed Bell to produce a theoretical scheme which suits big capital, for it leaves no room for conflict between capitalism's relations of production and its productive forces, to say nothing of socialist revolution. That is why there is no room for property relations in his "axis" of the historical process. However, such a scheme has little in common with the realities of our day, which are a reflection not only of the imperative need for a transition from capitalism to socialism, but also of socialism's successful development on a sizable part of the globe. Socialism has put an end to the contradictions which are typical of capitalism—underloading of production capacities, mass unemployment, low rates of economic development, economic crises, inflation, and so on—and has demonstrated the greatest historical advantages of its planned economy, being a system which meets the vital interests of the working masses and the needs of scientific, technical, social and economic development in our day. The world socialist economic system is the chief factor in the maintenance of peace, which is why the attempts to exclude socialism from the contemporary socio-historical process are not just futile but deeply reactionary.

Bell's unscientific scheme makes it impossible to show the crucially important socio-economic distinctions between

[1] Bell claims that along the axis of production and technology, both the Soviet Union and the United States are industrial societies and so in a sense tend to harmonise (Daniel Bell, op. cit., p. 11).

socio-economic formations. Indeed, will it be easier to understand the specifics of the society's socio-economic system and its prevailing technology of production, if one includes in the same category of "pre-industrial society" such extremely different social organisms as the primitive commune, slave-holding Rome, feudal France, late-19th-century tsarist Russia, and modern New Zealand, merely because the economy of these societies is based on agricultural production?

It is all the more interesting to make a critical examination of the sectoral approach to periodising the socio-historical process because such a pseudo-historical approach is nowadays typical of many bourgeois economists, who present it in the most diverse forms. Thus, US economist Walt Rostow has produced a conception he calls "the stages of economic growth". He claims, in particular, that the present stage of economic growth, which he calls the "age of high mass-consumption", is one in accordance with which "the leading sectors shift towards durable consumers' goods and services".[1] There, as in his subsequent work entitled *Politics and the Stages of Growth*, in which Rostow's perspective of social development is seen as a "search for quality", he declares sectoral shifts to be the main criteria for establishing the periods of the historical process.[2]

His view is, in fact, shared by J. K. Galbraith, whose conception of the "industrial state" is, however, not as vulgar or primitive in form as Rostow's, who has merely resurrected the apologetic methods of the old German historical school of the 19th century. Historical development, according to Galbraith, is determined by the role which this or that "factor of production" acquires: "Power goes to the factor which is hardest to obtain or hardest to replace."[3] Land was initially such a factor, he believes, and that determined a whole epoch of agrarian economy; it was followed by capital, which determined the transition to the "epoch of capital", and finally, by the "technostructure", i.e., the administrative apparatus of the big corporations which ensured the transition to the "industrial society".[4] There again,

[1] W. W. Rostow, *The Stages of Economic Growth*, Cambridge University Press, New York, 1967, p. 10.

[2] See W. W. Rostow, *Politics and the Stages of Growth*, Cambridge University Press, New York, 1971, p. 231.

[3] J. K. Galbraith, *The New Industrial State*, Houghton Mifflin Company, New York, 1968, p. 67.

[4] See ibid., p. 67.

the criterion consists of specific features of men's purposeful activity (which is also distorted), including managerial labour. Jean Fourastié, John Maurice Clark, and François Perroux are only some of the bourgeois economists taking the sectoral approach to historical processes.

The sectoral approach is only a modification of the "factors of production" theory used to formulate "historical" arguments to prove that capitalism is everlasting, and it is no more than one of the numerous present-day expressions of the general principle of vulgar economics.

3. Bourgeois Economics: Fetishist Categories and Conceptions

The bourgeois ideologists' claims that the shifts occurring in the society's productive forces under the impact of the scientific and technical revolution signal radical changes in the socio-economic substance of the capitalist society towards some kind of non-capitalist—industrial, post-industrial, super-industrial, etc.—society are only a typical form of advocacy of existing capitalism adapted to the conditions of the present stage of the world revolutionary process. The categories of these pseudo-historical conceptions designed to distort the actual trend in socio-economic development from capitalism to socialism are based on an identification of concrete and abstract labour-processes.

That is exemplified by the bourgeois economists' reading of "economic system", an important category of bourgeois economics. Galbraith, for instance, says: "The purpose of an economic system would seem, ... and it is commonly so regarded, ... to provide the goods and render the services that people want."[1]

Bourgeois economics *has reduced—without any good grounds at all—the concept of "economic system" to the society's productive forces,* which are a generalised expression of concrete labour-processes, ignoring the other aspect of the economic system, namely, men's social production relations, which under capitalism are a generalised expression of abstract labour-processes. The identification of these two processes within the "economic system" category is a key

[1] J. K. Galbraith, *Economics and the Public Purpose*, Houghton Mifflin Company, Boston, 1973, p. 3.

manifestation of the general principle of vulgar economics in bourgeois economic writings today.

In the light of the general principle of vulgar economics, bourgeois ideologists interpret not only the economic system as such, but also its character, which they falsify along these two lines: they either depict the economic system as being directly intended to satisfy requirements, or identify it with production as such.

The former is exemplified by the conceptions of "consumer society", "affluent society", "consumer sovereignty", "age of high mass-consumption", and so on, and so forth; and the second—by the theories of "industrial", "post-industrial", "super-industrial", "technetronic" and other similar societies.

For all the outward distinctions between these two lines, they have a common ideological orientation and vulgar methodology, for both are intended to disorient the masses on the problem of current socio-economic development, and to leave the impression that it is running away from socialism. Both lines rely in their search for arguments on the general principle of vulgar economics.

Indeed, in order to put a "consumer" gloss on present-day capitalism, bourgeois ideologists have had to purge the purpose of social production under capitalism of its socio-economic substance. Let us recall that the natural goal of any production generally is direct consumption. In other words, the aim of production dictated by the society's productive forces is confined to the production of social use-values, but this always appears clad in a definite socio-economic form reflecting the type of production relations prevailing in the given society.

Under capitalism, the maximisation of profits is imposed on production as its objective goal because the factors of the simple labour-process (labour-power, and the objects and instruments of labour) assume the form of capital.

The "consumer society" theorists try to safeguard capitalism by distorting the complex relation between the material content and the socio-economic form of the objective of social production and by identifying the two. They seek to present the natural goal of any production generally as the immediate goal of production under capitalism, and on that "basis" to depict contemporary state-monopoly capitalism as some kind of "consumer society".

These inventions are exploded by the facts of the capital-

ist reality. It is common knowledge that what is of paramount importance for the capitalist monopolies is not human requirements as such, but only effective demand, and one which is capable of securing monopoly-high profits. That is why goods inflicting irreparable harm on human health (like drugs) and jeopardising the very existence of the human society (like the means of mass destruction) which serve as a source of fabulous profits for the capitalists are produced on a vast scale under capitalism. Galbraith remarks with a sad irony: "Firms respond well to market and consumer instruction on behalf of heroin, massage and carcinogenic agents."[1]

In actual fact, the same methodological principles on which the "consumer society" conception is based underlie the "industrial" view of the substance of economic system. The theories of "industrial", "post-industrial", "super-industrial", "technetronic" and other similar societies are designed to obscure the socio-economic substance of present-day capitalism, its characteristic domination of the capitalist monopolies, and the coalescence of the bourgeois state and the capitalist monopolies into one state-monopoly mechanism for the exploitation and oppression of the working masses.

The general principle of vulgar economics lies, therefore, at the root of the different versions of the "industrial society" as well. Having in mind the "two aspects" of Marx's theory of the mode of production—the society's relations of production and its productive forces—Bell says: "The theory of industrial society, which has been advanced most notably by Raymond Aron, takes off from the second of these two aspects of Marx's theory of the mode of production."[2] There again, the identification of concrete and abstract labour-processes in their sociologised form, so to say, is used as an apology for capitalism.

For that purpose, *present-day capitalism* is presented by the "industrial society" theorists as a species of industrial organisation, or "industrial system", which *means its direct identification with modern large-scale industrial production*, while the prospect for capitalism's development is identified with various changes in the society's productive forces as such. In Galbraith's view the "industrial society"

[1] J. K. Galbraith, *Economics and the Public Purpose*, p. 19.
[2] Daniel Bell, *The Coming of Post-Industrial Society*, p. 41.

is based on what he calls "the industrial system", the part of the economy which is "characterized by the large corporations".[1] In a later work, Galbraith designates that part of the economy as "the Planning System".[2]

However, in both of these works Galbraith regards the "industrial" or "planning" system as being large-scale production itself, the core of the modern economy in which advanced technology is combined with the massive use of capital, so that it has rapid technical development and a complex organisational structure: "This is the part of the economy which, automatically, we identify with the modern industrial society."[3]

Considering that in Galbraith's view the category of "capital" means either money or means of production, it is perfectly obvious that we have an identification of contemporary capitalism with modern large-scale production as such.

With that kind of approach, it is impossible to understand the origins of all the contradictions of the capitalist economy, including economic and monetary crises, chronic mass unemployment and the attendant underloading of production capacities, growing wealth in the hands of an insignificant minority, a relative (and sometimes even an absolute) worsening of the condition of the working masses, and so on. It is well known, after all, that the development of large-scale production as such does not necessarily entail contradictions of that kind, as will be clearly seen from the rapid and crisis-free development of the productive forces in the socialist countries. Indeed, the whole point of the diverse versions of the "industrial society", which are based on an identification of capitalism's relations of production and its productive forces, is precisely to cover up and make incomprehensible the true source of capitalism's contradictions and its antagonistic substance. That is an important ideological task for the bourgeoisie, and the identification of the relations of production and the productive forces (and so also of the concrete and abstract labour-processes) is used for an apologetic description not only of the "economic system" as a whole, but also of all its constituent elements. The "industrial society" conception presents phe-

[1] J. K. Galbraith, *The New Industrial State*, pp. 21, 22.

[2] See J. K. Galbraith, *Economics and the Public Purpose*, pp. 81-164.

[3] J. K. Galbraith, *The New Industrial State*, p. 21.

nomena of present-day capitalism, such as the growing economic role of the state, the coalescence of the monopolies and the state, economic planning, large corporations, etc., as being a direct outcome of modern large-scale production.[1] Of special interest here is the view of the "large corporation" as "the most conspicuous manifestation [of] the modern industrial society".[2]

Institutionalism is the most important and influential trend in present-day bourgeois economics considering the problems of the corporations and their relation to the society.[3] Little attention is given to these problems both by traditional bourgeois political economy and by the latest econometric schools, although capitalist monopoly is known to be the economic substance of contemporary capitalism. But even the institutional view of the role of the corporation in the capitalist society is a far cry from the scientific presentation of the reality, and the reasons lie above all in the class limitations and anti-communism of bourgeois economics, including institutionalism. Commenting on the discussion by bourgeois economists of the corporation—society relation, US economist L. E. Preston says: "Galbraith's main contribution to the debate has been his incessant emphasis on the need for the 'emancipation from belief' in the old models and for a new paradigm of modern non-Communist socio-economic systems."[4] Galbraith's anti-communism-oriented theoretical constructs—and he is a leading theorist of institutionalism—necessarily led him to unscientific conclusions concerning the nature of modern large corporations.

From his standpoint, the large, or "mature", corporation, with dominant positions in the capitalist economy, is not in essence a capitalist corporation, since the management of the "mature" corporation passes into the hands of the managerial apparatus ("technostructure"). Galbraith goes on to make far-reaching conclusions about power within the

[1] For details see V. Afanasyev, D. Nikolov, "Changes in the Epistemology of Bourgeois Political Economy", *Voprosy ekonomiki*, No. 1, 1975; J. K. Galbraith, *The New Industrial State*, pp. 28, 29, 31, 32, 34, 44, 45.

[2] J. K. Galbraith, *The New Industrial State*, p. 21.

[3] See *Journal of Economic Literature*, No. 2, Vol. XIII, June 1975, pp. 437-38; A. G. Gruchy, *Contemporary Economic Thought*, Sentry Press, New York, 1972.

[4] *Journal of Economic Literature*, No. 2, Vol. XIII, June 1975, p. 439.

modern large corporation shifting "from owners to managers", and adds that the "eminence of capital is a relatively recent matter". [1]

What then remains of the socio-economic substance of the present-day capitalist monopoly in Galbraith's category of "mature" corporation? Virtually nothing at all, because he regards it merely as an organisational form of modern large-scale production as such. The large scale of production concentrated within the "mature" corporation is seen by Galbraith as its crucial characteristic feature, and also that of the whole "industrial system". The great size of the firm is its most striking feature: "nothing so characterizes the industrial system as the scale of the modern corporate enterprise," [2] he adds.

We find, therefore, that *Galbraith's conception of the "mature" corporation rests on an identification of the simple labour-process and the value-expanding process, in other words, of production as such, and of its capitalist socio-economic form*, the whole being designed to obscure the latter. Galbraith's concept of "technostructure" is likewise framed in the light of the general principle of vulgar economics.

By "technostructure" Galbraith means the managerial apparatus of the modern large corporations, including various categories of specialists who receive and process information and take decisions on the functioning of the corporation. On the strength of these changes in the management of the capitalist economy, Galbraith draws the crucial conclusion concerning the allegedly non-capitalist character of the contemporary bourgeois society.

Galbraith's thinking is very odd indeed: he presents the changes within the management of the capitalist economy—not in its socio-economic substance, but in its organisation (the increasingly collective nature of management, its transfer to the specialists, etc.), i.e., aspects relating to the society's productive forces—as amounting to fundamental changes in the socio-economic system of the capitalist economy and in the capitalist system of relations of production, changes which tend to convert it into an "industrial system".

In Galbraith's concept of "technostructure", too, we find

[1] J. K. Galbraith, *The New Industrial State*, pp. 61, 62.
[2] Ibid., pp. 85, 86.

a confusion of the capitalist society's productive forces and its characteristic relations-of-production system.

Bourgeois theorists have been trying hard to cover up the basic class contradiction of the capitalist society, namely, the contradiction between the working class and the bourgeoisie, and that for a very good reason: it is, after all, the contradiction that acts as the direct motive force in the workers' class struggle against capitalist exploitation, and for the society's radical socialist transformation.

Bourgeois ideological activity in this context assumes diverse forms, but its class tenor and methodological "grounding" are identical in many respects. Such are, among others, the apologetic theories of "human" capital and "deproletarianisation" of the working class.

The "human" capital theory is patently apologetic and rests on a vulgar methodological basis. Indeed, it claims that the worker's "capital" consists of his various capacities for labour, i.e., the use-value of his labour-power. Once again, the methodology here springs from the general principle of vulgar economics, in accordance with which *capital, as a self-expanding value, as a phenomenon of the relations of production of capitalism, is identified with the use-value of labour-power as a phenomenon of the society's productive forces.*

It is well known, however, that the worker's creative powers no longer belong to him once they are sold to the capitalist. Consequently, the use-value of labour-power functions as capital, as the source of the self-expansion of capital, only in the hands of the capitalist and for the capitalist. In the hands of the worker, his capacity for labour presents itself only as a potential use-value of the commodity the worker owns, namely, his labour-power.

The "deproletarianisation"-of-the-working-class conception is another glaring instance of the use of the general principle of vulgar economics. Its advocates usually refer to actually occurring changes within the working class, such as the rise in its general educational standards and special training, increasing share of mental operations among the workers' labour operations, growing share of salaried employees within the working class, some rise in the workers' wages, growth and changes in the structure of their personal consumption, and so on. But all these are processes occurring in labour-power as an element of the productive forces of the capitalist society, and do not directly affect the

socio-economic nature of the working class, its qualitative characteristic as a subject of the relations of production. All these changes do nothing to change the crucial fact that the working class under capitalism is deprived of property in the means of production, which is why it is forced to sell its labour-power to the capitalists, who have established a monopoly on all the means of production in the society.

It is clear, therefore, that the *"deproletarianisation"-of-the-working-class conception describes changes occurring in the society's productive forces as radical changes in capitalism's relations-of-production system, so identifying concrete and abstract labour-processes.*

That is the methodological approach taken by bourgeois economics in its efforts to "resolve" not only the basic contradiction of capitalism, but also the basic contradiction of our epoch, that between the capitalist and the socialist world economic system. *The theory of the "convergence" of the two economic systems*, advocated, among others, by Galbraith, *is also based on an identification of the society's productive forces and the relations of production.* Galbraith tries to find specific features of the socio-economic system in the society's productive forces and in the forms of their organisation, and in comparing capitalism and socialism he abstracts himself from the fundamental distinctions which are characteristic of their forms of property in the means of production and the substance of political power, and so naturally finds much that is in common between the two socio-economic systems, which are in contest with each other.

In accordance with the "convergence" theory, the main line of socio-economic development now runs towards an approximation and eventual merger of capitalism and socialism. Galbraith declares that "industrial systems are convergent in their development".[1] He says that by "convergence" is meant a "roughly similar design for organization and planning".[2] Let us bear in mind that Galbraith insists on a similarity between the two contending socio-economic systems because of their common large-scale machine-production, that is, on a similarity of the productive forces of the two systems alone, while completely ignoring the fundamental differences in their socio-economic sys-

[1] J. K. Galbraith, *The New Industrial State*, p. 398.
[2] Ibid., p. 396.

tems. He says: "Convergence begins with modern large-scale production with heavy requirements of capital, sophisticated technology and, as a prime consequence, elaborate organisation." [1]

It follows that the "convergence" concept is based on a flimsy set of arguments: the future development of the two opposite relations-of-production systems is projected by those who ignore the qualitative distinctions between the two systems, and who accentuate some of the features of the productive forces which are common to capitalism and socialism.

The most reactionary bourgeois theorists have been trying to produce an apology for one of the most flagrant manifestations of the parasitic nature of contemporary capitalism, namely, militarisation of the economy, with the military-industrial complex as the most powerful and sinister form of state-monopoly capitalism.

In their efforts to justify the arms race, which brings huge profits for the arms manufacturers and inflicts ever more privation on the working masses—quite apart from its direct threat of annihilating the whole of mankind—bourgeois apologists claim that, on the whole, militarisation has a beneficial effect on the capitalist economy. We find Keynes asserting that "pyramid-building, earthquakes, even wars may serve to increase wealth". [2] As the bourgeois economists see it, militarisation of the economy could help to eliminate unemployment and usher in full employment. Back in 1945, William H. Beveridge, a British economist and a follower of Keynes', declared that total war was the sole and most effective means against unemployment already discovered by democracy. [3] Some bourgeois economists regard the arms race as a remedy for economic crises. So, in their work entitled *The Economics of Defense in the Nuclear Age*, US economists Charles Hitch and Roland McKean consider the capitalist government's military spending as a regulator of aggregate demand capable of ensuring protection against economic crises which, they say, are generated by deflationary processes, so that

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[1] J. K. Galbraith, *The New Industrial State*, p. 396.

[2] John Maynard Keynes, *The General Theory of Employment, Interest and Money*, Macmillan and Co., London, 1936, p. 129.

[3] See William H. Beveridge, *Full Employment in a Free Society*, George Allen & Unwin Ltd., London, 1945.

"a large security budget is an antideflationary force".[1]

Bourgeois ideas for militarising the economy are theoretically unsound because they are ultimately based on an identification of concrete and abstract labour-processes, or to be more precise, an identification of the reproduction of social capital in its material (natural) form, and in its value form, and also on an attempt to present the interests of the arms manufacturers as being identical with those of the society as a whole, and ultimately with those of the labouring masses.

Militarisation of the economy tends to sharpen the whole set of contradictions in capitalist reproduction, including the contradictions between the value and material (natural) aspects of reproduction which step up the inflationary process. The data on military spending give an idea of the scale on which the capitalist countries' economies are being rapidly militarised. In 1949 (the year the NATO military bloc was founded), its member-countries spent $18.8 billion for military purposes, in fiscal 1979/80, the military expenditures of the United States alone came to $139.3 billion, and to $285.7 billion under the 1986 US Federal Budget.[2]

The distinction between the reproduction of capital in its material (natural) form, and in the form of value, which is highly important in itself, assumes exceptional significance in the arms industry, because that is where the harmful effects of the militarisation of the economy on the country's economic development are directly revealed. The distinction is based on the fact that the value of military products is involved in the reproduction of the capitalist relations of production, so that the surplus-value it contains is a source of fabulous profits for the arms monopolies, while the use-value of military products drops out of the process of reproduction of the capitalist society's productive forces.

At the expense of the tax-payer, the bourgeois state gives the monopolies in military production "most favoured treatment", providing them with subsidies, large and long-term contracts for weaponry, which the bourgeois state buys at monopoly-high prices, and so on, so guaranteeing private

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[1] Quoted in: Victor Perlo, *Militarism and Industry*, International Publishers, New York, 1963, p. 136.

[2] *Economic Indicators*, February 1985, p. 33.

capital investments in arms manufacture against any risk and yields of vast profits for the monopolies. In those conditions, far from being interrupted, the reproduction of capital by value moves unhampered from the money form to the productive form, and from it to the commodity form and back again to the money form, so that it has the most favourable conditions for its self-expansion.

The reproduction of capital in arms manufacture in its material (natural) form is another matter. Sizable resources of high-skilled labour-power, raw materials, industrial equipment, energy, transport facilities, the latest scientific and technological innovations, and so on, are used for the needs of military production, all these resources being diverted away from civilian production and converted into military products, which, in virtue of the specific nature of their use-value, are designed for the purposes of destruction and so cannot be used for the reproduction either of the human or the material elements of the society's productive forces. The implication is that the reproduction of capital in its material (natural) form is interrupted: arms manufacture extracts vast resources from the capitalist society, but returns nothing to its productive forces. The economy can be militarised only through a depletion of the productive forces and a depression of the living standards of the labouring masses. Militarisation of the economy markedly intensifies the inherent capitalist tendency for amplifying the basic class antagonism: the growing wealth of the bourgeoisie, and the growing plight of the working masses. Arms production tends continuously to upset the balance between the commodity mass and the quantity of money in circulation, and this inevitably produces a tendency to increase the already high rate of inflation. It was no accident at all that the US administration's switch to its open and stepped-up arms race in late 1979 led to a sharp spurt in the rate of inflation: in 1979, US inflation went up by 13 per cent, and in the first few months of 1980 it grew at an annual rate of 19-20 per cent.[1] The massive data on capitalist economic development explode the bourgeois idea that militarisation of production has a stimulating role. During the Second World War, a percentage point of growth in US industrial output was worth

[1] See *Pravda*, March 17, 1980; *International Finance*, No. 26, 1979, p. 6.

$9.4 billion of military expenditures; from 1946 to 1971 the figure had gone up to $13.4 billion, including $43.8 billion for the 1967-1971 period,[1] and from 1973 to 1984 it had topped $117 billion.[2]

Marginalism, one of the main methodological principles of present-day vulgar bourgeois economics, and also one of the most widespread bourgeois theories of value, is seen to be obviously *untenable* in the light of Marx's doctrine of the dual nature of labour contained in commodities. The marginalists' assertions that utility is divisible *ad infinitum,* that buyers and sellers benefit mutually when exchanging goods in accordance with their "value" which depends on the buyer's subjective evaluation of the utility of any good, that there is a marginal utility of every good not only for the buyer but also for the seller, and a number of other similar ideas, indicate that the theory of marginal utility is based on a substitution of the commodity's use-value for its value, and on a subjective psychological interpretation of that use-value in an effort to derive the "value of a good" from the specific features of the commodity's use-value.

Indeed, present-day bourgeois theories of capital, wages, interest and profit, and a number of other concepts are unscientific because, in particular, they are based on the unscientific "principle of marginalism".[3]

Bourgeois theories of economic growth, with a wide range of scenarios, are based on an identification of concrete and abstract labour-processes, including that of productive forces and relations of production under capitalism in their generalised form. The method of production functions in the economic growth theory of the neoclassical school is based on a depiction of the labour-process factors as independent "sources" of expanding value. While the neo-Keynesian theory of economic growth seeks to present the stepped-up development of the productive forces through regular government injections as a means for easing the contradictions of the capitalist mode of production, the "ze-

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[1] See S. L. Vygodsky, *Contemporary Capitalism (Essay in Theoretical Analysis)*, p. 267.

[2] *Economic Indicators*, October 1984, pp. 18, 33 (author's calculation).

[3] See V. G. Shemyatenkov, *Theories of Capital*, Mysl Publishers, Moscow, 1977, p. 72; V. M. Usoskin, *Theories of Money*, Mysl Publishers, Moscow, 1976, pp. 90 et al. (both in Russian).

ro economic growth" concept, on the contrary, suggests that these problems could be solved by halting the development of the capitalist society's productive forces. In both cases, the bourgeois theorists in fact identify capitalism's productive forces and its relations of production, in their totally unfounded efforts to resolve the contradictions of the latter through transformations in the former.

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The whole system of categories of vulgar economics is shot through with the identification of concrete and abstract labour-processes, i.e., of the productive forces and the relations of production, an approach which springs from the class substance of bourgeois economic ideology. That is why Marx's dual-nature-of-labour doctrine is "the pivot" for a scientific analysis of capitalism, while providing the strategic means for combating bourgeois economic ideology.

Part Two

THE DUAL NATURE OF LABOUR AND THE POLITICAL ECONOMY OF SOCIALISM: METHODOLOGICAL ASPECT

Marx's greatness lies not only in his profound scientific analysis of the capitalist relations of production and their laws, and his demonstration that the capitalist mode of production is historically doomed, but also in his numerous theoretical propositions concerning the socialist society, which have been brilliantly confirmed in the practice of socialist construction. Among them are the theoretical substantiation of the enevitable revolutionary substitution of a socialist system for the capitalist system; the proletariat's historical world-wide mission as the grave-digger of capitalism and the architect of the socialist society; the necessity of a period of transition from capitalism to socialism; of the two phases of the communist socio-economic formation; of social property in the means of production as the economic basis of that formation; the law of distribution according to labour under socialism; and many other propositions.

Marx's methodology for analysing economic phenomena and processes is also of abiding importance for the scientific political economy of socialism, and the record shows that creative use of that methodology is bound to result in the further successful development of the political economy of socialism. What is more, Marx's methodology tends to be of ever greater practical significance, because, while being a theoretical expression of the socialist-relations-of-production system and its internal laws, the political economy of socialism is simultaneously a necessary prerequisite for the planned management of socio-economic processes in the socialist society, because its conclusions and propositions constitute the scientific foundation of the economic policy of the communist and workers' parties of the socialist countries.

That, together with the dynamism of the socialist economy, predetermines the need for further elaboration of the fundamental problems of the economic theory of socialism, timely generalisation of new phenomena in economic life, and not only a quantitative increase in knowledge, but also a deeper analysis in kind of the socialist relations of production and their laws as a coherent system.

The vast effort now under way in the USSR to switch the economy to the intensive way of development, and the great scale and complexity of the tasks put forward by the 26th Congress of the CPSU in communist construction in the USSR make the further development of the economic theory of socialism even more imperative. That is why it was said at the Congress that "many unresolved problems have accumulated in the political economy of socialism".

In this context, much scientific and practical interest attaches to the extent to which Marx's methodological principle for analysing commodity relations—his doctrine of the dual nature of labour—is applicable to the political economy of socialism.

We shall see that there are sufficiently weighty grounds for asserting that this principle is fully applicable to a scientific analysis of socio-economic processes under socialism, in the course of which there must, naturally, be full awareness of the specific relations of production under socialism and their laws, and that it can yield here results that are as important as those in the examination of the capitalist economy.

Let us recall that the dual-nature-of-labour doctrine has been largely instrumental in the revolution carried out by Marx in political economy.

One should bear in mind, however, that the doctrine was formulated primarily in the context of the capitalist commodity economy, so that if it is to be applied to an analysis of the socialist economy, which is essentially a directly social economy, the doctrine needs to be concretely applied to the specific features of the socialist relations of production, and that is why a comparative examination needs to be made of the methodology of Marx's *Capital* and the methodology of the political economy of socialism.

Chapter Nine

THE LOGIC OF MARX'S CAPITAL AND THE METHODOLOGY OF THE POLITICAL ECONOMY OF SOCIALISM

Marx's profound and comprehensive analysis in his *Capital* of the capitalist-relations-of-production system and their laws and tendencies of development, on the basis of his scientific methodology, notably his dual-nature-of-labour doctrine, made it perfectly obvious that, as a social system, capitalism is historically doomed and that its replacement by communism is an objective necessity. Since then, the historical record has shown his theoretical propositions to be true: socialism—the first phase of communism—has now become a reality in a number of countries. Among its principal socio-economic features are the domination of social property in the means of production, no exploitation of man by man, balanced (conscious) regulation of socio-economic life in the society, which is free of crises, unemployment, anarchy of production, rivalry, and the pervasive power of capital and money generally. Under socialism, social production is not geared to the extraction of profit, but to the fullest possible satisfaction of the people's material and spiritual requirements, and the harmonious development of the individual in a society where conditions are created for the triumph of social justice and all-round social progress.

A theoretical analysis of the socialist society, the first phase of the new social system, is naturally a necessary element of the Marxist-Leninist doctrine, for which it is a vital need to bring out the laws according to which socialism functions and develops, because that is the society in which conscious governance of socio-economic processes is becoming a reality and daily practice for the first time in the history of mankind. That being so, such governance can be effective only if it rests on a knowledge of the nature and

uniformity of these processes. That is why theory must supply practice with a knowledge of the laws according to which the socialist society functions, objective prognostications for its development, and the real perspectives before it, since voluntaristic, scientifically unbacked actions in the economic sphere tend to do nothing but harm to the socialist society, as the record shows. It is, therefore, no mere chance that scientific substantiation of actions in the economic, social, political and other spheres acquires here exceptional importance.

Of special significance for the conscious governance of the socialist society's development is the Marxist-Leninist economic theory, which follows from the role the economy has to play in the life of this society. The point is that it is the relations of production as the economic basis of society that in the long run call forth social, political and spiritual processes in it. In this connection, genuinely scientific economic management acquires overriding importance in governing socio-economic processes. And that, in turn, presupposes the development of the political economy of socialism as the theoretical basis of this governance, for it can play this new social role (as compared with the political economy of capitalism) the more effectively the more profound is its disclosure of the internal essential ties of economic relations under socialism, the content of its economic laws and their working.

The development of any science is influenced by a whole complex of factors. But among these, as history and experience evidence, a special place is held by the ever better methodology of each specific science. And this is not accidental. On the contrary, this dependence stems from the objective correlation of theory and methodology.

The thing is that any science is the unity of theory, on the one hand, and its methodology, on the other, i.e., the principles and ways of studying natural and social phenomena. Moreover, one should bear in mind that this unity is not mechanical in character. It would be wrong to imagine the combination of theory and method as a combination of some things independent of each other. On the contrary, they are in dialectical unity. This predetermines not only their interconnection but also their mutual conditionality and interpenetration.

That is why the development of one aspect of that unity acts as a factor in the development of the other, and while

theory has the leading role to play in that unity, the level and state of methodology is an important prerequisite for the development of the former, a uniformity we find throughout the history of science and one to which both the natural and the social sciences have attached increasing importance. This uniformity is most manifest in Marxism-Leninism.

It was the formulation and use of the method of dialectical and historical materialism as the basis for overcoming the limitations of the method of bourgeois sociology that enabled first Marx and Engels, and Lenin after them to make the study of social phenomena, in particular economic phenomena, truly scientific, and that is why they always attached primary importance to elaborating the method of analysis, a point emphasised by Engels, when he wrote: "The working out of the method which underlies Marx's critique of political economy is, we think, a result hardly less significant than the basic materialist conception." [1] Lenin also believed that the working out of the method of materialist dialectics was one of the major scientific achievements of the founders of scientific communism: "The application of materialist dialectics to the reshaping of all political economy from its foundations up, its application to history, natural science, philosophy and to the policy and tactics of the working class ... that was what constituted the masterly advance they made in the history of revolutionary thought." [2]

Marx called his method of analysis materialist dialectics, and its fundamental principles are consistent materialism and an examination of phenomena and processes in their development, interconnection and mutual dependence. Marx himself saw this as the prime distinction between his method and the methods used in sociology before him. About his method he says: "My method of presentation is *not* Hegelian, since I am a materialist and Hegel is an idealist. Hegel's dialectics is the basic form of all dialectics, but only *after* it has been stripped of its mystical form, and it is precisely this which distinguishes *my* method." [3]

[1] F. Engels, "Karl Marx, 'A Contribution to the Critique of Political Economy'", in: Karl Marx, *A Contribution to the Critique of Political Economy*, p. 225.

[2] V. I. Lenin, "The Marx-Engels Correspondence", *Collected Works*, Vol. 19, p. 554.

[3] Marx to Ludwig Kugelmann in Hanover, March 6, 1868, in: Marx, Engels, *Selected Correspondence*, p. 187.

Lenin explained the fundamentally new aspect of Marx's method and also emphasised that Marx and Engels took a most resolute stand for philosophic materialism, that they enriched philosophy with dialectics, and that "*historical materialism* was a great achievement in scientific thinking".[1] In short, says Lenin, "Marx's *method*" is "the method of dialectics and the world outlook of materialism".[2]

Marx's method of dialectical materialism was most fully elaborated in his *Capital,* where Marx "applied to a single science logic, dialectics and the theory of knowledge of materialism".[3] At the same time, the analysis of the capitalist economy demonstrated the soundness of the concrete historical approach to the analysis of phenomena and processes, an aspect of Marx's methodology to which Lenin repeatedly pointed: "The whole spirit of Marxism, its whole system, demands that each proposition should be considered (α) only historically, (β) only in connection with others, (γ) only in connection with the concrete experience of history".[4] Marx used his method to bring out the internal laws according to which the capitalist economy functions and to disclose the secret of capitalist exploitation, and gave a precise prediction of the main tendencies in the development of capitalism.

But does that mean that the method of *Capital* cannot be used in analysing the relations of production in other modes of production? No, it does not, and the possibility of using it to study other socio-economic formations, in principle, was indicated by Lenin, when he said: "If the application of materialism to the analysis and explanation of one social formation yielded such brilliant results, it is quite natural that ... the necessity for such a method extends to other social formations."[5] Indeed, Lenin went beyond voicing the idea and proved what he said in practice by extensively using and developing Marx's method in

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[1] V. I. Lenin, "The Three Sources and Three Component Parts of Marxism", *Collected Works*, Vol. 19, p. 25.

[2] V. I. Lenin, "Materialism and Empirio-Criticism", *Collected Works*, Vol. 14, Progress Publishers, Moscow, 1977, p. 327.

[3] V. I. Lenin, "Plan of Hegel's Dialectics (Logic)", *Collected Works*, Vol. 38, p. 317.

[4] V. I. Lenin, To Inessa Armand, *Collected Works*, Vol. 35, Progress Publishers, Moscow, 1976, p. 250.

[5] V. I. Lenin, "What the 'Friends of the People' Are and How They Fight the Social-Democrats", *Collected Works*, Vol. 1, pp. 145-46.

his analysis of the economy of the transition period and of socialism.

As for the method of political economy generally, and of the political economy of socialism in particular, substantial importance for bringing out specific features attaches to the question of the relation and interconnection of the general scientific method of dialectical and historical materialism, on the one hand, and the specific methods of analysis which are proper to political economy, on the other. Is it conceivable that the dialectical and historical method is completely coincident with the method of political economy? We do not believe that such an approach is the right one, and for the following reason: on that assumption, the question of the specific methodological principles and techniques used by each particular science becomes irrelevant, for then the method of the individual sciences tends to be dissolved in the general scientific method. At the same time, it should be most emphatically stressed that it would be wrong to give up the general scientific method in favour of the specific techniques and methods used by the individual sciences studying the objective reality. The history of science drives home the point that wherever the principles of dialectical materialism are ignored or neglected, scientific research is, as a rule, incapable of gaining any insight into the substance of phenomena and processes of social life.

The implication is that the method of political economy as a science in its own right has a complex structure, being based on dialectical and historical materialism, whose principles have been concretised in application to the economic sphere of social life. On that basis, political economy works out its own specific methods and techniques of analysis, thereby elaborating the general principles of materialist dialectics into concrete economic methods of analysis, as will be seen from the following illustration.

That form and content do not coincide, and that there is a need to draw a distinction between the two is one of the theoretical propositions of dialectical materialism and one of its methodological principles. Its concrete application by Marx to economic phenomena consisted in bringing out their material (natural) content and historically-frameworked social form. That is the kind of dichotomy to which he subjected the commodity, money, capital and other categories of capitalist commodity production, so

bringing out their true substance. As Marx separated the material element from its social form, he saw the relations between men behind the relations between things, and so overcame the limitations of bourgeois political economy. Bourgeois economists had tried to explain economic phenomena from the processes of Nature, that is, from the properties of things as such, while Marx went on to derive them from social relations.

The resolution of economic categories into material content and social form and analysis of their interconnection and interaction became one of the key methods of analysis in political economy. It helped Marx to overcome the unhistorical approach of bourgeois political economy. It turned out that commodity, money, capital, and so on, are such not because of their natural properties, but only in virtue of definite economic conditions, which is why they are historically-frameworked relations of production in the form of "natural objects with strange social properties".[1] Among the specific methods of analysis widely used in political economy are the method of ascent from the abstract to the concrete, the method of combination of the logical and the historical, the statistical method, and sociological studies.

The relation of theoretical knowledge and scientific method is an important question in bringing out the substance of method in political economy. Let us bear in mind that they are in dialectical unity and interaction with each other, which means that the distinction between them is relative, i.e., the theoretical conclusions drawn by science can subsequently present themselves as important elements of its methodology, and vice versa. That is how the methodology of science is enriched and individualised. Here are some examples of this uniformity. It is common knowledge that the labour theory of value is an essential part of Marx's theoretical system, while having an exceptionally important methodological role. It is also well known that the theory of surplus-value, the cornerstone of Marx's doctrine, is of great methodological significance for analysing capitalism, and the dual nature of the commodity-producers' labour was used to demonstrate that in the first part of this book.

What then is the relation between the method of *Capital* and the method of the political economy of socialism? The

[1] Karl Marx, *Capital*, Vol. I, p. 86.

answer hinges on the following point. Political economy, a social science, studies a specific type of social matter: the relations of production. Although the concrete forms in which they exist may differ, all relations of production (whether slave-holding, feudal, capitalist or socialist) have definite common properties and features, a common element which is contained in the individual, the singular. So it is quite natural that those who study economic relations in different social formations can and must use the principles and methods which have been effectively used in the study of the capitalist relations of production in *Capital*. It would be wrong to assert, therefore, that the method of the political economy of socialism is absolutely different from that of *Capital*. It would be more true to say that there are specific applications of the method to the study of the socialist relations of production. Consequently, Marx's ideas on the methods of analysing the relations of production in the capitalist society are not only of particular, but also of general methodological significance, being also applicable to an analysis of the economic relations of the socialist society, naturally with an eye to their specific features. That is why the method of *Capital* is of abiding importance for the political economy of socialism. It is important in a two-fold sense. First, from the standpoint of applying Marx's methods of analysing economic processes and phenomena in the socialist society, and second, from the standpoint of the methodology of applying the general philosophical method in analysing the concrete relations-of-production system. A knowledge of this methodology undoubtedly provides the analyst with a wider range of methodological instruments, for, as Lenin says, "if Marx did not leave behind him a '*Logic*' (with a capital letter), he did leave the *logic* of *Capital*". [1] The history of the political economy of socialism itself cries out for active use of the method of *Capital* in analysing the socialist economic relations, and shows that the method of *Capital* provides a firm scientific basis for analysing economic processes and phenomena in the socialist society, while neglect of the methodological principles of *Capital* or their superficial and undialectical interpretation inevitably doom researchers to failure and theoretical impo-

[1] V. I. Lenin, "Plan of Hegel's Dialectics (Logic)", *Collected Works*, Vol. 38, p. 317.

tence. Thus, the assertions that will be found in Soviet economic writings of the 1920s that the relations of production of pre-capitalist formations and of the socialist society are "simple", "transparent" and "do not require any theoretical analysis" [1] sprang from the false premise that the substance of economic phenomena was identical with the form in which they were manifested. But that was, of course, not a scientific approach. It is common knowledge, after all, that substance is the aggregation of deep-seated connections, relations and internal laws of economic processes, while semblance is only the form in which a qualitatively distinct substance reveals itself. That is why there is an indissoluble connection between substance and semblance, but that unity does not at all mean that they are identical. What is more, substance is always concealed beneath the surface, and it is precisely the task of science to disclose the true substance of economic processes beneath the outward forms, and to reduce the visible to the actual. After all, what appears on the surface is "only the immediate phenomenal *form* of these relations ... and not their *inner connection*". [2] Those ideas of the 1920s are now of interest only in the sense that they visually confirm the following conclusion: neglect of the methodological principles of *Capital* in analysing the relations of production of socialism leads straight to theoretical errors. That example shows once again that "truth includes not only the result but also the path to it". [3] Incidentally, the relations of production of socialism have turned out to be even more complex for cognition than are capitalist relations, and for a good reason: they represent a higher and so a more complex type of production relations.

The political economy of socialism has a reliable foundation in the method used in *Capital*, elaborated in the works of Engels, and enriched by Lenin. Still, it would be wrong to assume that the economic science of the socialist society has fully exhausted *Capital*, and the point

[1] See *Vestnik Kommunisticheskoi Akademii*, No. 11, 1925, p. 308; A. Kon, *A Course in Political Economy*, Part I, Gosizdat, Moscow, 1928, p. 8 (in Russian).

[2] Marx to Engels in Manchester, June 27, 1867, in: Marx, Engels, *Selected Correspondence*, p. 179.

[3] Karl Marx, "Comments on the Latest Prussian Censorship Instruction", in: Karl Marx and Frederick Engels, *Collected Works*, Vol. 1, Progress Publishers, Moscow, 1975, p. 113.

is, in particular, driven home by Marx's doctrine of the dual nature of the commodity-producers' labour, which, as the preceding analysis shows, has a key methodological role in economic theory. It is a doctrine that is still far from adequately used as a methodological clue in the study of socio-economic phenomena and processes under socialism. It is a fact, however, that Marx's dual-nature-of-labour doctrine is a concretisation of the principles of dialectical and historical materialism in the context of the specific subject-matter of political economy: the leading role of social production in the development of socio-economic phenomena and processes, the historical approach to these phenomena and processes, the need to draw a distinction between the productive forces and the social production relations both within labour, the very beginning of economic life in the society, and in the whole system of socio-economic phenomena and processes, the law of the unity and struggle of opposites in its specific economic forms, and so on. All of that testifies to the imperative need to apply Marx's dual-nature-of-labour doctrine to the analysis of socio-economic phenomena under socialism.

Chapter Ten

THE IMPORTANCE OF THE DUAL-NATURE-OF-LABOUR DOCTRINE FOR ANALYSING THE SOCIALIST ECONOMY

1. Two Points of View

Soviet economic writers have been discussing the extent to which Marx's dual-nature-of-labour doctrine can be applied as a methodological principle in studying the socialist economy, together with a number of other important problems in the political economy of socialism, and two main strands of opinion have emerged. One is that this doctrine of Marx's is applicable to an analysis of the socialist economy, provided it is expressed in concrete terms with an eye to the specific features of socialism as the first phase in the development of directly social production, i.e., of the communist socio-economic formation.

The second strand of opinion holds that the doctrine cannot be applied to an analysis of the socialist economy, and one has to ask: for what reasons? We feel that these are two-fold. On the one hand, this approach stems from an inadequate and less-than-profound analysis of the nature of socialist labour, and on the other, from an underestimation of the potentialities of the dual-nature-of-labour doctrine for analysing the production relations of the socialist society.

The notion that labour is two-fold only in commodity production still has to be overcome in the political economy of socialism. It has led to the assertion that the dual nature of labour disappears together with commodity production, and so it naturally follows that, once labour in the communist society (directly social labour) has lost its dual nature, the dual-nature-of-labour doctrine ceases to be methodologically relevant in any analysis of socialist relations of production. On the above-mentioned premises, that is sound logic, but the whole point is that the premises are wrong.

Let us bear in mind that the Marxist view of the nature of labour as an economic category implies a distinction between its two aspects: its definite material content, i.e., the whole range of technological operations, techniques, etc., and its historically frameworked social form, or the relations between producers in labour. These two aspects of labour are a dialectical unity. What happens to this unity in the communist society? Has it perhaps disappeared? On that assumption, labour appears to be no more than a technological process stripped of any social form. But no such labour can exist as an economic category. That being so, directly social labour, like the labour of private commodity-producers, has a definite social form, although it differs essentially from the social form of the labour of private commodity-producers. At this point one has to recognise that directly social labour also has a dual nature, and that the assertions that the dual nature of labour has been overcome under communism have not a leg to stand on.

Consequently, communist labour is likewise a unity of a definite material content and a definite social form. That the latter is historically frameworked and differs from the social form of the commodity-producers' labour is quite another matter. Those who deny the dual nature of communist labour have evidently failed to note the difference, and have assumed that once the dual nature of the commodity form of labour is gone, all labour ceases to have a two-fold nature.

The correction of that theoretical error, we believe, paves the way for a more fruitful application of the doctrine of the dual nature of directly social labour, and this implies a scientific disclosure of the nature and specific features of that duality, as the most important methodological principle in the study of socialist relations of production.

The fact is that labour is the main content of the society's economic life, and this remains true of the communist society, including socialism, its first phase. For that reason, all economic phenomena and processes under socialism and under communism present themselves—immediately or ultimately—only as diverse manifestations of human labour, whether living or objectified (its functioning and results, its content and social form, etc.). This suggests a highly important conclusion: if labour is the basis of all the economic phenomena and processes, and

has a dual nature under directly social production as well, economic phenomena and processes under it necessarily have a dual nature. Indeed, it is hard to produce a truly scientific analysis of the relations of production of the communist society without a consideration of that fact.

2. The Methodological Role of the Dual-Nature-of-Labour Doctrine for Analysing Commodity-Money Relations under Socialism

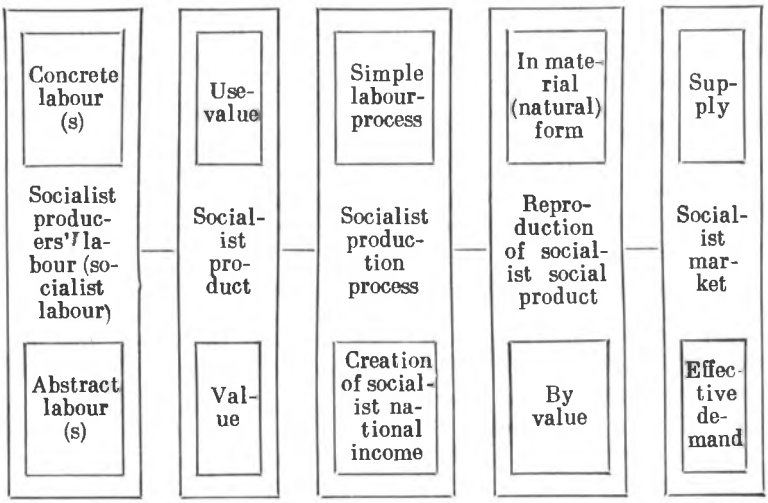
From the standpoint of economic substance, socialism is directly social production, while commodity-money relations continue to be present. These relations have some specific features but do not lose their definite quality and retain their basic features, contradictions and laws. It is quite natural, in this connection, that the dual-nature-of-labour doctrine, duly modified in the light of the specific features of the socialist relations of production, is generally seen as a component part of the political economy of socialism, retaining its methodological role for a cognition of commodity-money relations under socialism. One has to add, however, that the role of the doctrine in analysing these relations in the light of the specific features determined by their dialectical unity with directly social relations, and the leading role of the latter, has yet to be duly elaborated in economic writings.

Theoretical analysis of the phenomena and processes of commodity production under socialism, and also of some of the contradictions produced by the commodity form as such, is at root connected with the dual nature of labour, and this relates above all to the two-fold character of phenomena in the commodity world. While the product of socialist enterprises is essentially a directly social product, it preserves its commodity form and presents itself as a unity of use-value and value. The process of socialist production is essentially a directly social process, being simultaneously a process in which use-values are created (simple labour-process) and a value-forming process. Reproduction processes under socialism are likewise two-fold: the reproduction of the social product is effected both in material (natural) form (means of production and articles of consumption), and in value form (the value transferred from the means of production and the new-

ly-created value). These questions will be considered in greater detail later. The socialist market (supply and demand, commodities and money), and the costs of circulation (net and additional, real) and other phenomena also have a two-fold character.

The duality of phenomena and processes of commodity production under socialism, naturally taking account of their specific features in the concrete historical conditions, may be illustrated as follows:

Fig. 33



The fact that socialist labour has a dual nature (as concrete labour and abstract labour, even if with specific features under socialism) implies the need to take it into account directly in economic practice, as otherwise it would be impossible to ensure the efficient functioning of the socialist economy, since no account would be taken of some of the relations of production which do exist in the socialist society. That being so, special importance attaches, for instance, to an economically well-grounded combination of natural and value economic-plan indicators which measure the costs and benefits of socialist production and its economic efficiency. The lines on which socialist enterprises are to operate and their results largely depend on the extent to which account is taken of the dual

objective nature of these indicators. Thus, some negative phenomena were produced in the recent period when the importance of value indicators was somewhat exaggerated, so that the volume of realised product in combination with profit and profitability indicators was definitive for the work collectives, while the role of natural indicators was somewhat minimised: there was less interest in fulfilling the product-mix plan, and this tended to produce disproportions between the material (natural) and value aspects of the social product; indicators of enterprise activity results receded into the background (for instance, the evaluation of the activity of building organisations according to the volume of capital investments handled in roubles, instead of facilities commissioned, was one of the reasons for building-in-process), concern for cost-cutting declined, etc.

The re-establishment of the role of natural indicators (without, however, setting them up as absolutes) in a dialectical unity with value indicators should help to create a coherent system of planned indicators taking account of the duality of the socialist process of production and its results, based on the dual nature of socialist labour. The improvement both of natural and value indicators is likewise a necessary element in improving the planning mechanism, and there was good reason, therefore, for the 26th Congress of the CPSU to emphasise the pressing need "to introduce, at all levels of economic management, improved plan indicators differentiated with regard to the specific features of the branches of the economy and most fully reflecting and stimulating growth of production, of its efficiency, labour productivity and the quality of output. and the saving of working-time, metal, energy and other resources".[1]

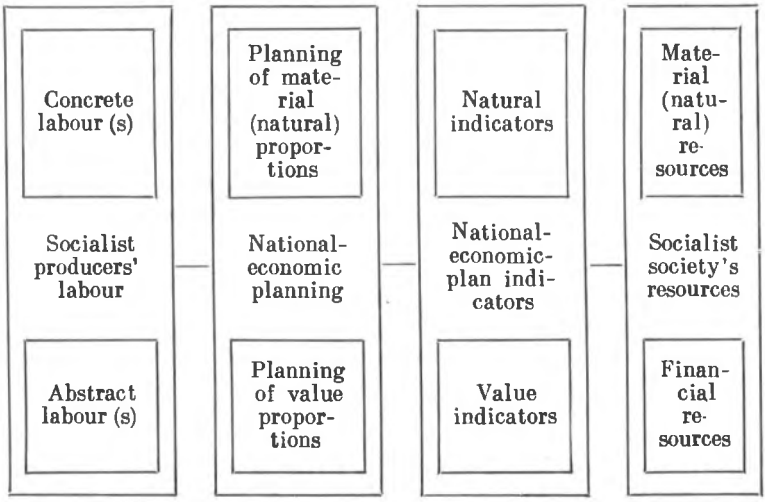
Nor can the socialist economy function efficiently unless there is a balance between the society's material (natural) resources (which are based directly on concrete labour), and its monetary resources (which are based on abstract labour). Everyone knows of the negative effects of any disbalance between supply and demand, and this equally applies not only to the balance between the population's incomes and expenditures, but also to production activity. Any excess of financial resources at socialist enterprises

[1] *Documents and Resolutions. The 26th Congress of the CPSU*, Novosti Press Agency Publishing House, Moscow, 1981, p. 237.

over and above their material (natural) resources eventually tends to weaken centralism in economic management (capital investments are scattered, attention to product quality is relaxed, the product-mix is upset, etc.). In order to eliminate such disproportions, the society's monetary resources must flow in accordance with actual reproduction processes both in natural and value form.

The planning and management of the socialist economy, therefore, must fully reckon with the fact that commodity-production phenomena and processes under socialism are two-fold, and this includes, above all, the phenomena and processes shown in the diagram below:

Fig. 34



All these facts indicate that there can be no scientific analysis of efficient planned management of the socialist economy, unless account is taken of the duality of commodity-money relations under socialism, which reproduce, in a specific non-antagonistic form, the contradictory unity of use-value and value, i.e., of concrete and abstract labour-processes.

3. Specific Features of the Dual Nature of Labour under Directly Social Production

While doubt is hardly ever cast on the fruitfulness of Marx's dual-nature-of-labour doctrine as a method for analysing commodity-money relations under socialism, its methodological role in studying the economic processes of directly social production is frequently questioned. But we think that the doctrine is methodologically fruitful not only for a cognition of commodity-money relations under socialism, but also for an examination of directly social relations, naturally bearing in mind the specific features of the latter.

The point is that the natural basis of the dual nature of the commodity-producers' labour, which assumes the form of concrete and abstract labour under commodity production, retains its significance with respect to directly social production as well. That natural basis is provided, first, by the useful form of labour, the aspect of labour which will be found at every stage of human history, whether under commodity or under directly social production. In this context, Marx says: "So far therefore as labour is a creator of use-value, is useful labour, it is a necessary condition, independent of all forms of society; it is an eternal nature-imposed necessity." [1]

Second, there also remains the other aspect of that natural basis, namely, the expenditure of man's physical, mental and nervous powers for the production of the use-values he needs, i.e., "labour in general", as it is called. This aspect of labour likewise of necessity takes place at every stage of human history, irrespective of the social form of production.

The important thing to bear in mind is that useful labour, like "labour in general", is a direct representative of the phenomena and processes of the society's productive forces, and not of its relations of production, but that gives no ground for denying the dual nature of labour in the socio-economic sense under directly social production. On the contrary, it is a highly important argument for the proposition that in these conditions labour presents itself as a two-fold phenomenon.

The point is that the duality of the natural basis of labour—useful labour and labour in general—like any other

[1] Karl Marx, *Capital*, Vol. I, p. 50.

element of the productive forces, always acquires a definite social form at every stage of social development. It is common knowledge that the society's productive forces do not exist outside some system of social relations of production. Thus, useful labour under commodity production presents itself as concrete labour, i.e., as useful labour producing the use-value of the commodity, and not just a product of labour, while labour in general assumes the form of abstract labour. Any other approach to analysing directly social production would effectively signify abandonment of the most important proposition of dialectical materialism concerning the unity of the society's productive forces and its relations of production.

The assertion that, under directly social production, useful labour, as such, presents itself simultaneously as the content of labour and as its social form is equally untenable, for then there is a clear confusion of the social form and content of labour, and ultimately, of the social relations of production and the productive forces. In short, whatever the pretext, denial of the dual nature of labour under directly social production is methodologically groundless and theoretically erroneous, and could well produce negative consequences in practice.

Assuming that the natural basis of the dual nature of labour as a phenomenon of the society's productive forces is preserved under directly social production, one could ask oneself what kind of social forms this duality of labour will assume when commodity-money relations wither away.

Under directly social production, useful labour presents itself as directly social useful labour. Useful labour, i.e., concrete labour, will shed those of its elements which are connected with the commodity form of the product of labour. In these conditions, social use-value and social requirement are not mediated by the market, but directly linked with each other.

As for labour in general, i.e., the expenditure of labour in the physiological sense of the word, even under directly social production it is not just an element of the material and technical process of production, but also the vehicle of a definite economic connection which is the specific social form of labour in the given historical conditions. Its characteristic feature is that it is an expression of the exchange of activity (labour) being effected within the framework of one nation-wide cooperation of labour and based

on the directly social combination of labour-power and the means of production, with directly social appropriation of the results of production.

If commodity-value—as Marx demonstrated—is an expression of relations between economically disparate producers, relations of collectivism are the content of the socio-economic form of labour under directly social production. From that also follows the special form in which the social character of labour is manifested in these conditions, and it is different from the form in which it is expressed under commodity production, when there is, in effect, recognition of the social character not of living labour itself in the process of its functioning, but of materialised labour represented in the commodity—and that retrospectively, that is, after the commodity production process is completed. Under the nation-wide cooperation of labour, the labour of the participants in production presents itself directly, in its natural (active) form as socially recognised labour. The form in which labour is accounted is likewise changed: the value form gives way to the accounting of labour directly in terms of labour-time.

Under directly social production, a special mechanism takes shape for evaluating labour inputs as socially necessary. Let us recall that the basis of such a mechanism is provided by the correspondence of demand (social requirement) and supply (production). However, under commodity production, this interconnection is mediated by effective demand. The directly social form of labour and production sheds the value form in which this requirement is manifested. Hence, the planned distribution of labour by sector and industry is determined in accordance with the structure and character of social requirements directly in their natural form.

Consequently, labour under socialism has a higher complex structure. Since socialist labour, which is directly social, simultaneously retains the properties of commodity-producers' labour, the natural basis for the dual nature of labour (useful labour and labour in general) acquires socially heterogeneous (commodity and non-commodity) forms of expression.

The characteristic thing about the useful form of socialist labour is that it is expressed, on the one hand, as directly useful labour, and on the other, as concrete labour. Labour in general acquires the form of abstract labour, while being

the vehicle of relations of socialist collectivism. For that reason, the socialist product presents itself as a dialectical unity of features of the directly social product and the commodity, which is concretely expressed both in the category of use-value, and in the category of value, a fact which it is highly important to reckon with in economic practice.

Consequently, socialist labour has a dual nature which substantially differs from the dual nature of labour under capitalism. The first distinction consists in that the contradiction between concrete and abstract labour under socialism is different in socio-economic terms, being no longer an expression of the contradiction between the latently social character of labour and its private form, as it is under capitalism. It is a non-antagonistic contradiction between the directly social content of socialist labour and the individual labour of socialist enterprises at which socially heterogeneous labour functions (labour differing in skill standards, degree of arduousness, mental and manual labour, etc.). For that reason, the contradiction between the two aspects of labour under socialism does not generate crisis processes in the economy like those inherent in the capitalist mode of production: economic crises of overproduction, unemployment, underloading of production facilities, and so on.

Second, the dual nature of socialist labour is, we have seen, a two-fold duality: on the one hand, socialist labour is concrete labour and abstract labour, and on the other, it is directly social useful labour, and directly social labour in general.

Real socio-economic processes are reflected in the definite quality of each structural element of socialist labour, and their identification and analysis—from deepest root to outward form of expression—is a necessary element in the creation of a set of conceptual categories of labour, while being a most important methodological premise for analysing the whole aggregation of economic phenomena and processes under socialism.

4. The Dual Nature of the Socialist Product

The complex socio-economic structure of socialist labour is expressed, above all, in the socialist product. As has already been said, socialist labour is characterised by what could be called a two-fold duality. On the one hand, it ap-

pears as the socialist-producers' directly social labour, in which capacity it reveals two aspects: first, it is directly social useful labour, and second, it is directly social labour in general. On the other hand, it is the socialist commodity-producers' labour, and as such it has the following two aspects: first, it has the properties of concrete labour, i.e., useful labour creating the commodity's use-value, and second, the property of abstract labour, which is the source of commodity-value.

The fact that labour relations under socialism combine directly social and indirectly social (commodity) relations determines the preservation of commodity properties by the products of the socialist enterprise, alongside its properties of directly social product which it acquires with the completion of the building of socialism. In short, the material repository of the dual nature of social labour under socialism is the dual nature of the product, and this is expressed in the fact that, on the one hand, from the standpoint of the social form of production and the character of appropriation, the socialist product is a directly social product, i.e., it is produced in a planned manner at the socialist—whole people's or cooperative (collective farm)—enterprise. Social planning bodies determine in advance what, in accordance with the social requirements, is to be produced, when, where, how much, and with what kind of labour and material inputs, and where the given product is to be used and by whom. Consequently, the socialist product belongs to the society and is distributed in accordance with its requirements, which means that the socialist product presents itself as a directly social product at every phase of socialist reproduction: planning, production, exchange, distribution, and consumption. When Lenin criticised Nikolai Bukharin's book *Economics of the Transition Period*, he made a remark which is of great methodological significance for an understanding of the social form of the product. When criticising the view that under socialism commodity is converted into product, he wrote: "That is imprecise: it is converted not into a 'product' but in a somewhat different way, 'etwa' (roughly) into a product going into social consumption not via the market." [1] What is important here is that, first, the form of the socialist product differs from the form which the product assumed in the natural (subsistence) economy.

[1] *Lenin Miscellany XI*, p. 388 (in Russian).

Whereas the product of the natural economy is a directly individual product which does not go beyond the framework of the given production cell and which is used only to satisfy requirements within that framework, the directly social product is designed for satisfying social requirements which lie outside the given production cell. The latter works to satisfy the requirements of the society. Second, the new economic form of the product also differs from the commodity, a difference which relates to several aspects. Let us bear in mind that the commodity form of the product invests it with such a social property that it is primarily produced as value. For that reason, the usefulness of the product, its necessity for the society is discovered not directly, but indirectly, through effective demand. By contrast, the directly social product is produced with an eye to satisfying what is in the main a requirement known to exist in advance. Product volume, structure and quality are determined in a planned manner by the society. Consequently, a directly social use-value is created in the process of production.

Directly social use-value is in character the opposite of commodity use-value.

First, it is its opposite from the standpoint of the relations of production it expresses. Directly social use-value is a special economic form of the product's social utility, when the society acts directly as the producer, whereas commodity use-value expresses relations between disparate commodity producers concerning the utility of the product.

Second, the former is a direct expression of the correspondence between the product's utility and its requirement, while the latter expresses this indirectly, through effective demand. The commodity use-value is converted into socially recognised use-value through purchase and sale on the market. Directly social use-value is produced in expectation of a social requirement defined in advance, which means that the use-value of the directly social product is a utility designed for satisfying this or that (individual or production) requirement of the members of the socialist society, and that directly, through the process of actual consumption.

Third, directly social use-value sheds the value form.

Finally, its social recognition is effected directly, instead of the roundabout way of purchase and sale on the market. Such recognition of the socialist product is effected at every phase of socialist reproduction, including that before the

start of the process of its production, when the society determines in a planned manner the volume of requirement in the given product and the quantity of the given product to satisfy that requirement.

These properties of the use-value of the directly social product engender numerous consequences, including the important fact that the socialist society exerts a direct influence on the structure and volume of the use-values produced, and at every stage of its development ensures—in the light of the concrete historical conditions—an optimal balance between the society's requirements and the socialist product. The socialist society excludes from the range of its use-values goods which do not go to satisfy any real requirements of the members of the socialist society and which under capitalism are imposed by the capitalist commodity form simply because they yield especially high profits, such as drugs, weapons, pornography, and so on.

The directly social labour in general embodied in the socialist product is its other aspect. It is the result of the reduction of the individual labour inputs by workers in socialist production functioning in various conditions, with different skill training and production experience, and so expending different quantities of their individual labour on turning out one and the same product.

However, that aspect of the directly social socialist product does not assume the form of value and does not present itself as abstract labour, because abstract labour does not exist outside the commodity form of a product that is not directly social.

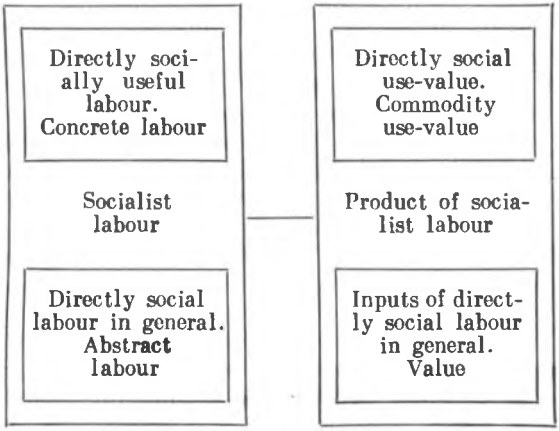
The point is that such a reduction of the individual labour inputs to some average socially necessary inputs is effected not through the play of market forces, not in spontaneous exchanges of commodities, but in a process in which labour at socialist enterprises is normed and the participants in socialist production exchange their activity.

The difference between directly social labour in general and abstract labour does not consist in that abstract labour is the result of a reduction of individual, private inputs to social inputs, while directly social labour does not spring from a reduction of individual inputs to average socially necessary inputs. The difference is that directly social labour acts as the measure of economic relations, in a peculiar economic form, namely, the form of individual inputs of labour in general consciously planned by the society.

Directly social labour in general is an ideal level of inputs, expressed in production norms, towards which socialist producers should be oriented.

Consequently, there are substantial distinctions between directly social use-value and commodity use-value, on the one hand, and between directly social labour in general and abstract labour, on the other, but the peculiarity of the directly social product under socialism consists precisely in that it is simultaneously the vehicle of these properties, as will be seen from the following diagram.

Fig. 35


Directly socially useful labour. Concrete labour
Directly social use-value. Commodity use-value
Socialist labour
Product of socialist labour
Directly social labour in general. Abstract labour
Inputs of directly social labour in general. Value

The above diagram serves to illustrate the intricate combination of the commodity and non-commodity properties both of socialist labour and of the socialist product, but for all the importance of the difference between these properties, they should not be absolutised. Thus, for instance, the diagram does not at all imply that the socialist product possesses two different use-values going to satisfy different requirements, when it sets apart directly social use-value and commodity use-value. It merely serves to emphasise the fact that the different aspects of the socialist product are a blend, first, of the properties of directly social use-value and commodity use-value, and second, of the properties of expended directly social labour in general and abstract labour.

The two-fold duality of the socialist product is directly manifested in its properties. In particular, the social utility of the socialist product presents itself both as directly social

use-value and as commodity use-value. The directly social utility of the socialist product is expressed, primarily, in that it is produced for the purpose of meeting a requirement that is known in advance. The qualitative parameters of the product are also improved in accordance with the society's concrete assignments.

Thus, under the eleventh five-year plan (1981-1985), an extensive programme for raising the technical standards and quality of all types of products was mapped out, and the share of new products in overall output was planned for each industry and each enterprise.

The directly social character of the use-value of the socialist product implies that it must be produced in accordance with actual social requirements. In that context, the determination of the actual social requirements in the various types of product is a necessary condition for the normal functioning of the socialist economy, and this, for its part, implies the need for elaborating scientifically warranted norms of personal consumption and production consumption, the revision of the latter as technologies and the organisation of production are improved, and so on. That it also being done in a planned manner. Assignments for a review of norms according to which raw and other materials are expended are a necessary element of macroeconomic plans. Thus, in the five-year period from 1981 to 1985, the assignment was to "reduce in machine-building and metalworking the average expenditure norms for rolled ferrous metals by not less than 18-20 per cent, for steel pipes, by 10-12 per cent, and for rolled nonferrous metals, by 9-11 per cent; save, in construction, 7-9 per cent of ferrous rolled stock and timber, and 5-7 per cent of cement." [1]

The content of directly social use-value itself rules out the practice of falsifying it, as is frequently done with respect to the use-value of capitalistically produced commodities.

All these features of the socialist product are determined by its directly social character, but as has already been noted, it also bears some commodity features, so that the socialist product has properties not only of directly social use-value, but also of commodity use-value. That is expressed in the fact that the social validity of the usefulness

[1] *Documents and Resolutions. The 26th Congress of the CPSU*, p. 170.

of a socialist product is given final recognition only in the process of purchase and sale. Consequently, the necessity of the socialist product's realisation as a value is, within certain limits, a condition for its realisation as a useful thing.

The use-value of the socialist product is, therefore, a combination of the features of directly social use-value and commodity use-value. It should be emphasised in this context that these are not two use-values of the socialist product, but one which is characterised by the combination considered above, and the combination of directly social and commodity relations in the social form of the socialist product leaves its stamp on the process of its realisation as well.

On the one hand, this movement is effected in the form of direct distribution by the society both of the means of production and of the articles of consumption, so that it is planned and balanced. This movement stems from the directly social nature of the socialist-producers' labour.

On the other hand, the socialist product moves as a commodity, i.e., it has to be sold, and so the distribution of the product effected through direct ties is complemented with its realisation as a commodity. As a result, the correspondence of the product being turned out to social requirements is established not only directly, but also through the correspondence of effective demand and supply. The implication is that the existence of the two-fold duality of the socialist product needs to be accounted in direct economic practice, which means that the equipment, materials and intermediate products allocated as stocks to the enterprise in a planned manner (coming from the directly social aspect of the product) need to be purchased if they are to enter the actual process of production. Accordingly, the balance between supply and demand includes as a necessary element not only a material (natural) but also a value correspondence.

The duality mentioned above is also manifested in other forms. In particular, two such categories as social costs of production and value are used in economic practice in the socialist society.

The magnitude of value is known to be determined by the inputs of socially necessary labour and it is essentially an averaged-out magnitude which is determined by the socially average inputs of enterprises turning out the bulk

of the product in the given industry. As for the costs of production, these are labour inputs into a product which has a direct form of distribution and is earmarked for satisfaction of socially normal requirements. Considering that the enterprise carries on production on the society's assignment, it is quite natural for the society to recognise its labour inputs as necessary even if they are above the socially average inputs.

The society accepts responsibility for the work of the given producer, and any losses that may arise in the process are met by the society, which recognises normal individual inputs as socially necessary inputs: we have here a real contradiction between labour and value equivalence in the socialist society. One should merely note that what is meant here is the covering of costs of the least productive enterprise which is such not for reasons of mismanagement, but because of the actual state of its material and technical facilities and the conditions of production which the society is still forced to use because the requirements in that product cannot as yet be met through production at more modern and progressive enterprises.

Does this principle operate under socialism? Yes, it certainly does. But there is here yet another principle, namely, the averaging-out of inputs stemming from the commodity aspect of socialist production. That is why, the actual magnitude of socially necessary inputs takes shape as a result of their interaction.

This duality is also manifested in the mode of forming social normatives of socially necessary labour inputs. The directly social aspect of socialist production determines the fact that the input norms for living and materialised labour in turning out a product are determined in the course of planning, and the volume of material and labour-power resources is determined in accordance with the planned volume and structure of the product. In so forming social inputs, the society seeks in every way to reduce them on the basis of the latest scientific and technical advances, better technologies, labour organisation, and so on. All of that essentially amounts to a directly social mode of forming social inputs. At the same time, the influence of value connections is reckoned with in the forming of social labour-input normatives at the socialist stage, and this is expressed above all in the fixing of prices on the basis of averaged-out inputs on the scale of the society, the zone, and so on. Moreover, the

allocation of material and labour-power resources by industry and sector, i.e., their allocation for the production of various types of product by large social units must necessarily take account of the relation of supply and demand, the size of the cash incomes of the population, price levels, and so on. Here one should bear in mind that the selling of goods is a social verification of the extent to which the expended labour corresponds to the society's actual requirements in such expenditure. Once a discrepancy is brought out, it undoubtedly has a corresponding influence on the formation of the normatives of socially necessary labour inputs in this or that industry.

Underlying these processes, one of which is determined by the directly social connection, and the other by the commodity connection, are two different principles of equivalence: the labour and the value equivalence. These two types of equivalence may be outwardly similar, but drastically differ in content. Marx defined the essence of labour equivalence in the *Critique of the Gotha Programme,* where he says that "while the exchange of equivalents in commodity exchange only exists *on the average*",[1] in labour equivalence it exists in each individual case. These forms of equivalence also apply to socialist enterprises. The existence of these two forms of equivalence, which are interwoven and interact with each other, is a characteristic feature of the economic form of the social product under socialism.

So, an examination of the properties of the socialist product, the form of its movement, and so on, shows that the socialist product is a specific type of product, and its specific nature is determined by the character of directly social labour under socialism.

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[1] Karl Marx, "Critique of the Gotha Programme", in: Karl Marx and Frederick Engels, *Selected Works* in three volumes, Vol. Three, p. 18.

Chapter Eleven

THE CATEGORY OF SOCIALIST LABOUR: ITS DUAL NATURE

Let us bear in mind that the objective relation between the dual nature of labour and the two-fold character of economic phenomena and processes continues to operate—even if in specific forms and with a new socio-economic content—under socialism, because even under that system these phenomena and processes are an expression of social labour, of its functioning, results, and so on, and bear the imprint of the specific features of that labour and its two-fold structure. Thus, this relation applies to a greater extent to the phenomena of socialist labour as such. Analysis shows that categories such as productive labour under socialism, discipline of socialist labour, material incentives for labour under socialism, and a number of other manifestations of socialist labour have a dual nature.

It follows that when applied to an analysis of socialism in the light of its specific features and the peculiarities of socialist labour, Marx's doctrine of the dual nature of the commodity-producers' labour, on which, as he himself said, "is pivoted the whole understanding of the facts" in the economic life of the society, appears as the most important methodological instrument for analysing the socialist economy, including socialist labour.

1. The Dual Nature of Productive Labour under Socialism

As in any other society, labour functioning in social production in the socialist society has a dual nature: it presents itself, on the one hand, as the content of labour expressing man's relation with nature, and on the other, as the social form of labour reflecting the relations between

men in the process of social production. This means that socialist labour has a two-fold role: first, as the key element of the society's productive forces, and second, as a social relation of production in the socialist society.

For that reason, two organically interrelated aspects stand out in socialist labour: first, the useful, purposeful form of labour, which is determined above all by the character of the use-value being produced (concrete labour), and second, so-called "labour in general", that is, the inputs of labour in the physiological sense (the expenditure of man's physical, mental and nervous powers in turning out the product irrespective of the useful form of the expenditure) which are the vehicle of a definite, namely socialist, social connection between the producers of the socialist product.

In the socialist society, such labour presents itself as productive labour. Indeed, Marx identified two interrelated criteria of productive labour when studying the problem in the context of the capitalist mode of production, but his methodology is fully applicable to the socialist economy, naturally with full awareness of the specific economic laws and social relations of production under socialism.

What then are the criteria of productive labour under socialism?

First, there is the participation of this labour in the production of social use-values satisfying either individual or production requirements of the members of the socialist society, in which case labour is productive labour from the standpoint of the simple labour-process, i.e., the process in which use-values are created.[1] It follows that a necessary property of productive labour under socialism is its direct or indirect participation (as a function or organ of the aggregate worker) in producing this or that social use-value.

As such, that is, as a useful, purposeful form of labour activity in turning out social use-values, labour is productive in the sense that it reproduces one aspect of the socialist mode of production, namely, the socialist society's productive forces, both their human elements—labour-power (if that labour produces the articles of individual consumption), and their material factors—the means of production (if that labour produces the means of production).

[1] See Karl Marx, *Capital*, Vol. I, pp. 176, 177. (See also footnote 7.)

Second, Marx also considers the productive-labour problem from the other aspect of social production, namely, from the standpoint of the social relations of production which are predominant in a society and which determine the social form of labour at the given historical stage of social development.[1] Under capitalism, this aspect of production is characterised by the value-expanding process, i.e., the process in which surplus-value is produced, and gratuitously appropriated by the bourgeoisie, and so the process in which the working class is exploited and the capitalist relations of production reproduced.

Consequently, labour presents itself as productive from the standpoint of the social form of labour if it reproduces the other aspect of a mode of production, namely, the dominant system of social relations of production, i.e., if it possesses a certain social quality.

In the light of Marx's methodology in analysing productive labour under capitalism[2] and considering the specifics of the socialist relations of production, one could draw the following conclusion: the two following criteria objectively apply to productive labour under socialism: first, labour's direct or indirect participation in producing this or that social use-value, and second, its participation in reproducing the dominant relations-of-production system, which in the context of socialism signifies labour's participation in reproducing the relations of social (the whole people's and group) appropriation of the results of social labour.

Thus, the labour of petty commodity-producers under socialism (artisans, peasants, etc.) may produce definite use-values and so is socially necessary at a definite stage in the development of socialism, but is not productive labour, because it fails to produce the socialist relations of production. By the same token, labour in the army, in judicial and similar other bodies is not productive because it does not produce any use-values, and does not directly reproduce the socialist relations of production, although in definite historical conditions it is socially necessary to an eminent degree as an essential factor in consolidating the socialist relations of production and guaranteeing their defence against external attacks.

So, the socialist social form ensuring the social appropria-

[1] See Karl Marx, *Theories of Surplus-Value* (Volume IV of *Capital*), Part I, pp. 156-59.

[2] See Karl Marx, *Capital*, Vol. I, p. 477.

tion of the results of labour and the reproduction of socialist property in the means of production is the crucial criterion of productive labour under socialism. At the same time, the socialist social form of labour is not without content: the participation of socialist labour in reproducing social-appropriation relations implies that such labour produces a definite social use-value which goes to satisfy either the individual or the production requirement of the members of the socialist society.

Consequently, only that labour is productive under socialism which reproduces both the socialist society's productive forces and the socialist relations of production, i.e., that labour which reproduces the socialist mode of production as a whole.

That is why the quality of productive labour under socialism is a question of essential importance for the political economy of socialism.

2. Two Aspects of the Quality of Socialist Labour

For all the seeming simplicity and elementary nature of the problem of the quality of labour, it is, in fact, one of the most complicated in the political economy of socialism. It is a pressing one above all because the quality of labour in its most diverse manifestations appears as one of the crucial factors underlying the level of social-labour productivity. A high level of quality in socialist labour is a necessary condition for solving the historical problem facing the socialist countries, namely, the surpassing of the most developed capitalist countries in the level of social-labour productivity.

The point is that the rising quality of labour is mainly expressed in the growth of social-labour productivity, i.e., in the quantity and quality of the use-values produced in a given interval of time. The quality of socialist labour is simultaneously most closely connected with all the main constituents of the process of socialist expanded reproduction, i.e., the social product and labour-power, and the socialist relations of production and the socialist way of life. The quality of socialist labour is, therefore, one of the decisive elements in the reproduction of the socialist mode of production as a whole.

For the political economy of socialism, the quality-of-

labour problem is above all one of qualitative characteristics of productive labour, which is why it can be solved only in the light of the dual nature of productive labour under socialism, and so also of the two-fold quality of socialist labour: on the one hand, the useful, purposeful form of labour under socialism, and on the other, the social form of socialist labour.

a) The Quality of Useful, Purposeful Socialist Labour

The quality of labour from the standpoint of its useful form appears as a complex and multi-tiered phenomenon. It is determined in the light of the two basic functions of concrete labour: first, the production of use-value, and its quantity and quality, and second, the transfer of the value of the means of production used up in the process of production to the new commodity.

First of all, the quality of the useful, purposeful form of labour, as a generic concept, is characterised in the relation of that labour to the use-value of the commodity it produces as such. In this sense, labour presents to us its qualitative aspect, whereas in the production of commodity-value, labour presents only its quantitative aspect. Marx says: "While ... with reference to use-value, the labour contained in a commodity counts only qualitatively, with reference to value it counts only quantitatively, and must first be reduced to human labour pure and simple." [1]

Viewed from that angle, the useful, purposeful form of labour appears as a characteristic of labour from the standpoint of its quality as an element of the society's productive forces. The labour of the carpenter, the joiner, the locksmith, the machine-operator, the airline pilot, the programme-writer, and so on, are all forms of labour of differing quality, are all different types of useful, purposeful labour producing a range of use-values.

But Marx goes on to show the more detailed elements of this qualitative characterisation of labour, remarking that the useful, purposeful activity in producing this or that type of use-value is characterised by its objective, by the nature of the operations, the object of labour, the instruments of labour and the results of labour. [2]

The quality of useful, purposeful labour, as individual

[1] Karl Marx, *Capital*, Vol. I, p. 52.
[2] See ibid., p. 49.

labour, i.e., the labour of individual producers, enterprises, etc., depends, therefore, on the specific purpose of production activity, taken here not in its socio-economic, but in its technical and economic sense, as the goal of labour activity aimed at producing a definite use-value. The quality of useful labour is also determined by the character of the technology and means of production involved and the character of the use-value produced.

This characterisation of the generic concept of quality of useful labour acquires new definitions when one considers the useful, purposeful form not of individual labour, but of the aggregate social labour. In that case, aggregate useful labour is confronted in the form of its result not just by the use-value of the product, but by the aggregation of the use-values produced taken with respect to the whole aggregation of the requirements of the society and its members. That labour appears as labour of a higher quality which goes to satisfy the more pressing requirements of the socialist society and its members, for instance, labour in the key sectors of the economy determining scientific and technical progress in the social economy as a whole.

The implication is that the quality of useful labour can also be raised by ensuring fuller correspondence between the product-mix turned out and the structure of the requirements of the socialist society and its members, and here planning agencies and the quality of macroeconomic planning have a considerable part to play.

It appears to be worthwhile to distinguish the category of labour-quality level from the generic concept of useful-labour quality as such, which is an expression of the type of labour activity and the kind of product turned out (for instance, the labour of the baker who makes the bread; the labour of the machine-builder who makes cars, etc.). Labour-quality level is a category reflecting the relation of useful labour, not to the character, type or kind of use-value produced (say, bread, car, machine-tool, etc.)—which is a function of the generic concept of useful-labour quality—but to the degree to which the given use-value can satisfy a human want (for instance, the quality of the bread, the car, the machine-tool, and so on).

Consequently, the quality of labour, as a phenomenon of the society's productive forces, needs also to be seen from the standpoint of correspondence of a given useful form of labour to the existing socially normal requirements for prod-

ucts of a given quality. When the useful, purposeful form of labour fails to satisfy such requirements and does not meet the socially normal standard of product quality, it presents itself as concrete labour of a lower level of quality.

This aspect of useful-labour quality is of substantial macroeconomic importance, for the quality of the means of production turned out has a direct effect on the level of social-labour productivity, on the quality and quantity of the products turned out, and also on other economic and production indicators, including the level of excessive inventories. The quality of the articles of individual consumption operates as an important factor in saving consumption time, in the extent to which individual requirements are satisfied, and the working people's living standards raised.

The capacity of useful, purposeful labour to preserve, and thereby to transfer the value of the expended means of production to the new product is an essential aspect of its quality.

The first thing to note is that the function of transferring value from the means of production to the new product differs from the function of useful labour in creating new use-value, although both are known to be performed by concrete labour precisely in the process in which new use-value is created and the old value of the means of production transferred to the new product. Useful labour may, for instance, have a high level of quality with respect to the use-value produced, so ensuring a high quality of the new product (say, a computer, an automated-tool line, etc.), while having a low level of quality in terms of transferring the value of the means of production in virtue of disproportionately high inputs and losses of the objects of labour, intensified wear and tear of the instruments of labour, and so on.

The level of useful-labour quality from the standpoint of its capacity to transfer the value of the means of production is determined with respect to the socially necessary inputs of the means of production per product unit, and the more useful the form in which labour is expended, the fuller the transfer of the value of the functioning means of production to the new product.

In this matter, it is the task of planning agencies, and of the economic agencies of the socialist society as a whole, together with the collectives of socialist producer enterprises, to raise the quality of useful labour, i.e., of concrete labour, both in order to increase output per unit of time, and to

improve the quality of the use-values being produced, and also in order to economise on the inputs of living and materialised labour into the production of goods, including the improvement of the sectoral structure of socialist production.

The question of the quality of the useful form of socialist labour is only one, even if highly important, aspect of the problem of the quality of labour as a whole, an aspect which characterises labour from the standpoint of the society's productive forces.

At the same time, labour quality also has a socio-economic aspect which characterises the given phenomenon from the standpoint of the predominant socialist relations-of-production system. Viewed from this angle, the quality of labour under socialism appears as an expression of the socio-economic substance and degree of maturity of the socialist relations of production.

This aspect of labour quality is a question of the quality of the social form of socialist labour and of its influence on the quality of the useful form of that labour.

b) The Quality of the Social Form of Socialist Labour

For its part, the quality of the social form of socialist labour has two different aspects. On the one hand, it is a definite quality of the social form of socialist labour in contradistinction to the non-socialist forms of labour which still variously remain in some of the countries that have built a socialist society, such as the wage-labour of workers at capitalist (usually small) enterprises which are still to be found in some socialist countries, the labour of small private commodity-producers (peasants, artisans in material production, doctors engaged in private practice, tutors and others working in the sphere of non-material production).

This aspect of the quality of the social form of socialist labour is a reflection of the socio-economic substance of the social relations of production under socialism.

On the other hand, the quality of the social form of socialist labour is a question of the degree of its maturity, i.e., what could be called the level of the social quality of socialist labour depending on the extent to which this or that concrete form of organisation of the socialist relations of production at the various stages in the development of the socialist system helps to improve the quantitative and qualitative indicators of the growing productivity of social labour.

As social property in the means of production becomes predominant, labour whose social quality consists in directly reproducing the socialist relations of production comes to have the decisive role to play. Such labour assumes a form ensuring directly social appropriation of the output of socialist production. Such labour makes purposeful use of the means of production belonging to the whole society (or cooperative), produces, in a planned manner, a definite use-value which is entirely appropriated by the socialist society (or cooperative) and is paid for in accordance with its quality and quantity. Since the socialist society has paid for that labour and has replaced the expended means of production, it becomes the owner of the socialist surplus-product, which it uses both for the benefit of the working people's society as a whole, and of its individual members.

Labour directly reproducing the socialist relations of production, i.e., the relations of the socialist appropriation of the results of labour, appears as labour whose social form has the social quality of socialist labour.

At the same time, even under the domination of socialist property in the means of production, there also partially remain social forms of labour which do not have the social quality of socialist labour. At certain periods, in definite historical conditions, such labour can operate as socially useful and frequently even as socially necessary labour, but that does nothing to change its social quality: from the standpoint of socialism, it is unproductive labour. It includes, in particular, the labour of petty-commodity producers, self-employed artisans, peasants, repair workers (repair of housing, cars, etc.), tutors training school-graduates for higher-school entrance examination (it is labour in the sphere of non-material production, but its social quality is the same as that of small private commodity-producers functioning in the sphere of material production), and so on.

The specificity of the social quality, i.e., of the social form, of such labour lies in the fact that it is based on the use of the petty-commodity producer's own means of production, who produces the corresponding material goods and services by his own labour and directly appropriates the product of his labour (or its cash equivalent, as in the production of services), a part of whose value is appropriated by the society through the fiscal system.

Labour of such social quality does not reproduce the socialist relations of production. What is more, petty private

commodity production is known to generate a tendency towards the formation of capitalist relations of production, which is why it cannot and must not be allowed anything like extensive development under socialism.

The extent to which the social quality of socialist labour proper is developed as it functions on the basis of social property in the means of production and social appropriation of the results of that production is an important problem. It is well known that the concrete form in which the socialist relations of production are organised is an important factor of the growing productivity of social labour, if it correctly takes account of the existing concrete historical conditions in which the individual and social interests of socialist working people are combined.

c) Ways of Enhancing the Quality of Socialist Labour

The two-fold quality of socialist labour—the quality of its useful form, and the quality of its social form—signifies that both the main ways for improving the quality of that labour and the means for doing so are likewise two-fold. On the one hand, these are ways of raising the quality of the useful, purposeful form of socialist labour, and on the other, means for raising the quality of the social form of that labour. Enhancing the quality of the social form of socialist labour is not, of course, an end in itself, but is designed to create the most favourable socio-economic conditions for a growth in the quality of the useful, purposeful labour activity of socialist working people.

The ways of improving the quality of the useful, purposeful form of socialist labour include a diverse set of factors and processes, above all the elements which determine the level of the productive power of social labour, which is, after all, nothing but an expression of the efficiency of useful labour (concrete labour). In this context, Marx says: "Productive power has reference, of course, only to labour of some useful concrete form, the efficacy of any special productive activity during a given time being dependent on its productiveness." [1]

Accordingly, among the factors in enhancing the quality of the useful, purposeful form of labour, says Marx, are the average amount of skill of the workmen, the state of sci-

[1] Karl Marx, *Capital*, Vol. I, p. 53.

ence, and the degree of its practical application, the social organisation of production, the extent and capabilities of the means of production, etc. [1]

The improvement of the physical, mental and other aspects of the health of the labouring population is an important factor in enhancing the quality of the useful form of labour, and thereby also in raising labour productivity. The point is that, on the one hand, ever greater demands are being made on man's physical, mental, nervous and other powers by an ever more rapid and complex production requiring ever greater precision, and on the other, the reproduction of a normal quality of labour-power is made more difficult by the worsening of the natural environment in view of the headlong development of the society's productive forces. In the socialist countries, the raising of the working people's living standards, the development of mass sports, the improvement of the work of public-health bodies, and so on, are important prerequisites for improving the working people's health and thereby raising the quality of the useful form of labour.

The ever higher general educational standard of the working people which helps them to find their bearings in the ever more complex social production and to gain an in-depth comprehension of its general scientific principles has a substantial role in enhancing the quality of the useful form of labour. General education is also highly important in the labour training of members of the socialist society. If labour is to become a natural norm of life of every member of the socialist society to an ever greater extent, children must be perseveringly brought up in purposeful labour activity to give them a relish for useful labour for the society. The useful form of labour cannot be enhanced in quality without a substantial growth in the general and production and economic standards, which rule out any irrational forms of behaviour whether in production or in consumption.

Special occupational training of personnel and the accumulation and exchange of experience in production are ever more important in enhancing the quality of the useful form of labour because of the complexifying nature of modern production as it increasingly turns into the technological application of science.

Application of the achievements of the scientific and tech-

[1] See Karl Marx, *Capital*, Vol. I, p. 47.

nical revolution in production, its equipment with qualitatively new producer facilities and technologies constitute the central element in enhancing the quality of the useful form of labour, since direct production is the basic sphere in which labour-power is developed, and that is the only way in which the productivity of social labour can be substantially raised—and often by several orders of magnitude—so sharply increasing the efficiency of the useful form of labour.

Here it is important to take into account that the on-going scientific and technical revolution is one that is proceeding primarily within the working machine, i.e., the means used by labour for direct action on the object of labour. The main distinction between the current scientific and technical revolution from the industrial revolution of the late 18th and early 19th centuries, whose main element was likewise a revolution in the working machine, is that production based on the achievements of the present scientific and technical revolution involves the use, as the means for direct and purposeful action on the object of labour, not so much of mechanical instruments of labour, such as the drill, the cutter and the saw, as non-mechanical forms of the motion of matter, such as the electric discharge, plasma, beam of light (as in laser devices), radioactive radiation, chemical reaction, microbiological process, and so on.

The result is a sharp increase in the speed of the production process, which now frequently runs in extreme conditions (high and super-high temperatures, pressures, radiations, speeds, etc.) requiring man's complete removal from the area of direct production, and for that reason, full automation of production and computerised remote control. All the other manifestations of the scientific and technical revolution (automation, including the use of robots in production, computers, atomic energy, chemicals, etc.) are ultimately the result of radical transformations in the production process with the use of non-mechanical forms of the motion of matter as working agents, and are subordinate to them.

Accordingly, as the results of the scientific and technical revolution are applied in production under socialism, deep changes are brought about in the quality of the useful form of labour, necessarily inducing the emergence of new and unknown trades, saturating labour to an ever greater extent with logical functions, enhancing the creative nature of

labour, and leading to the elimination of low-skilled, manual and arduous physical labour.

Those are, of course, not all the factors which have an effect on the quality of the useful form of labour, but the important thing is to realise that these factors are complex and multi-tiered, and that they fall into two large groups, one of which has a techno-production character, and the other—the social form of socialist labour—a socio-economic character.

The enhancement of the social quality of socialist labour is a complex socio-economic process including the whole aggregation of phenomena in the improvement of the system of the socialist relations of production, above all the further consolidation and development of socialist property in the means of production in its two forms: as the whole people's property, and as cooperative and collective-farm property.

Let us recall that socialist property is the common property of all the members of the socialist society, which is used for the benefit of the society as a whole and of each of its members. That is why every member of the socialist society, every socialist-enterprise collective and the socialist society as a whole have an objective interest in the most efficient functioning of the social means of production, for this creates the objective potentiality of attaining the highest indicators in the growth of the productivity of social labour and product quality.

So, ensuring the right combination of the national, collective and individual interests of socialist working people has a special role to play in raising the quality of the social form of socialist labour, and this is increasingly so in the context of the historical tendencies in the development of the socialist society.

The socialist society is known to be based on equitable relations between friendly classes—the working class and the cooperative peasantry, with the working class having the leading role to play. Nowadays there is a pronounced tendency for the socialist society to become ever more homogeneous in socio-economic terms, as it keeps advancing towards the classless communist society, i.e., a society in which classes will have disappeared, and so will have ceased to act as the subjects of the relations of production.

It follows that as the socialist society becomes ever more homogeneous in socio-economic terms, the socialist society

as a whole, socialist work collectives and individual socialist working people tend to have an ever greater role as the subjects of the socialist relations of production, which is why it will be ever more important to have the right blend of the national, collective and individual interests of the working people of the socialist society.

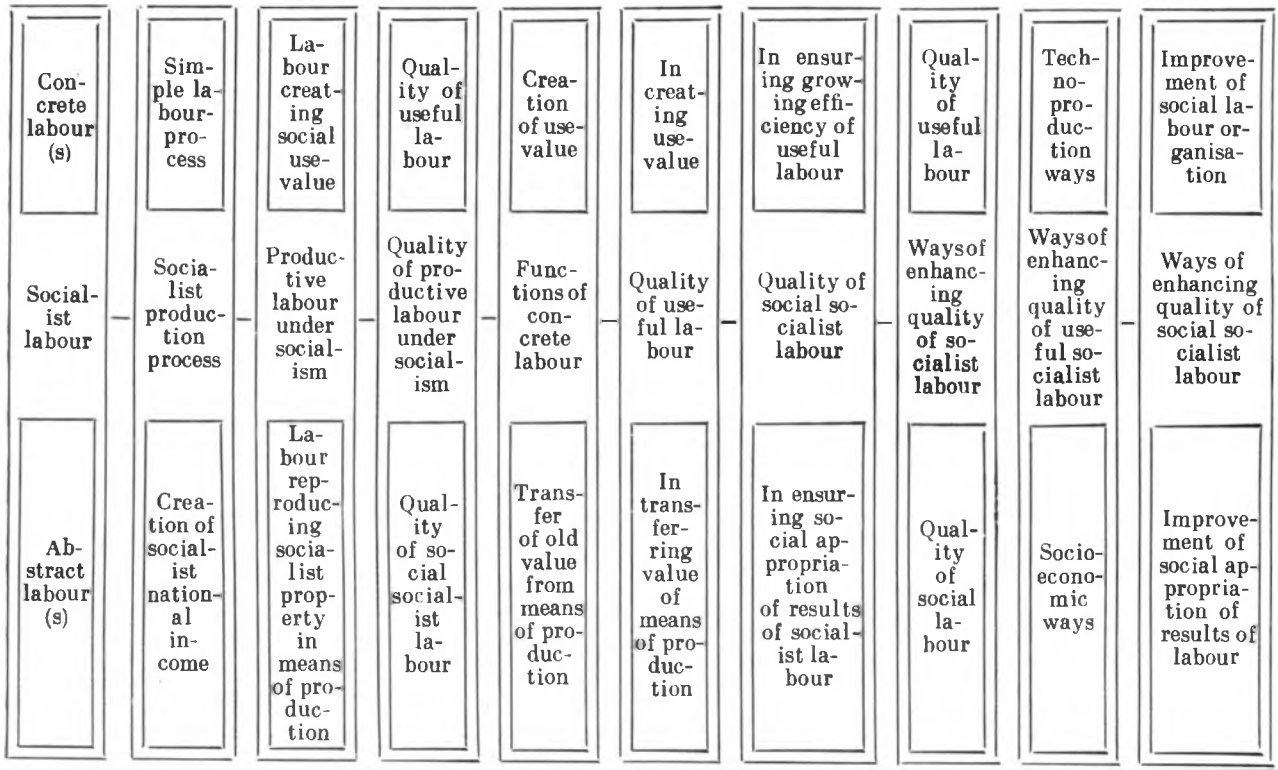
However, present-day practice already shows that where interests are so blended, the economic indicators of the work of socialist enterprises are substantially better: there is growing labour productivity, higher product quality, and lower costs of production, which means that the social quality of socialist labour at such enterprises is higher than it is at enterprises which fail to obtain the right blend of the interests of the society, the collectives, and the actual socialist producers.

Assertion of the socialist principle of distribution according to labour, which is designed to eliminate any elements of egalitarianism and lay emphasis on remuneration of labour in accordance with its results, is an important factor in ensuring such a blend of interests and thereby also in enhancing the quality of the social form of socialist labour. Distribution in accordance with the quantity and quality of the labour expended, as expressed in the quantity and quality of the use-values produced at each stage of production, makes the actual producers take a profound interest in the results of their labour. Here, the team form of labour organisation has an essential role, for within it distribution is based on coefficients of labour participation, the strengthening and further development of economic-calculus relations as a whole, improvement of planning activity, tightening of labour discipline and various other measures intended to enhance the quality of socialist labour.

So the problem of raising the quality of socialist labour is one of exceptional economic and political importance, for it involves the ever fuller realisation of the potentialities of the socialist social system and the use of the growing social wealth for the benefit of the working masses and for the harmonious development of the individual.

This duality of the categories of socialist labour is schematically shown in Fig. 36. In order to avoid any excessive complication in depicting the two-fold duality of socialist labour, it is designated, on the one hand, as "concrete labour (s)", i.e., socialist, and on the other, as "abstract la-

Fig. 36


Concrete labour (s)
Simple labour-process
Labour creating social use-value
Quality of useful labour
Creation of use-value
In creating use-value
In ensuring growing efficiency of useful labour
Quality of useful labour
Techno-production ways
Improvement of social labour organisation
Socialist labour
Socialist production process
Productive labour under socialism
Quality of productive labour under socialism
Functions of concrete labour
Quality of useful labour
Quality of social socialist labour
Ways of enhancing quality of socialist labour
Ways of enhancing quality of useful socialist labour
Ways of enhancing quality of social socialist labour
Abstract labour (s)
Creation of socialist national income
Labour reproducing socialist property in means of production
Quality of social socialist labour
Transfer of old value from means of production
In transferring value of means of production
In ensuring social appropriation of results of socialist labour
Quality of social labour
Socio-economic ways
Improvement of social appropriation of results of labour

bour (s)", meaning the peculiar combination of the directly social and commodity elements in socialist labour.

The above diagram suggests, first of all, that it would be an over-simplification to regard the dual character of socialist labour as something abstract, although such an approach is necessary at a definite stage of analysis. Conversely, in actual economic reality, the dual nature of labour is manifested in its different definitions, i.e., appears as a unity of the diverse. It is also important to bear in mind the fact that these categories are actually interconnected and mutually determined, though not, of course, always visibly or straightforwardly. This methodological proposition is of abiding importance.

3. The Two-Fold Content of Socialist Labour

When considering the quality of socialist labour, we established that the social form of labour determined by socialist property in the means of production is not indifferent to its content, and that it exerts an active influence on useful, purposeful labour. Indeed, the necessity of enhancing the quality of the social form of socialist labour is determined precisely by the fact that it exerts an active influence on the quality of useful, purposeful labour, i.e., on the content of labour, as it does on all the other elements and factors in the production of use-values. From this follows a highly important theoretical and practical conclusion that the content of labour being man's relation with Nature, it is a key element of the productive forces and also a two-fold phenomenon.

Indeed, the content of labour, on the one hand, is determined by the level of the society's productive forces and is one of its most important manifestations, which is precisely why the social form of socialist labour is the key factor behind the growing productivity of social labour and product quality.

Thus, the content of labour going into the production of use-values like the electric lamp, the car, the television set, and so on, on the one hand, is determined by the levels attained in the development of science, technology, industrial production and other elements of the society's productive forces in the late 19th and the 20th centuries, which is why labour of that content was non-existent, for instance, in the 17th and 18th centuries.

But that is only one aspect of the matter. The other is that the content of labour undergoes definite changes under the impact of the relations-of-production system prevailing in the society, without losing its substance of being man's relation with Nature. Thus, the same use-values—the electric lamp, the car, etc.—produced as, for instance, the commodity form of capital are most definitely subjected to the influence of the capitalist social form of production. These commodities not only have to satisfy the requirements of buyers within definite limits, but must also be competitive on the market and must assure the capitalist of a definite rate of profit. Under the impact of the capitalist form of production, the content of labour now and again tends to be invested with elements not determined by the character of the use-value being produced, and which are extraneous to it, but which turn the given use-value into a more adequate object of the capitalist relations of production. Nor is it here a matter only or so much of the fact that considerable amounts of labour are expended on giving the outward form of the produced commodity a loud and catchy design, for a pleasing appearance of the consumer good is an important demand being made on modern products of labour. The point is that under the impact of the capitalist social form of production, operations are introduced into the content of labour which are aimed, for instance, at reducing the service-life of the given use-value (electric lamp, car, etc.) in order to accelerate the turnover of capital and so increase the capitalist's profit, or, conversely, to prolong its service-life whenever that is required by the competition, and similar other operations.

What is here of fundamental importance is that the influence of the social form of labour and of the predominant social relations of production is, in a sense, materialised in the content of labour and, consequently, in the quantity and quality of the use-values produced by that labour.

So, while the content of labour is an expression of man's relation with Nature and presents itself as an element of the society's productive forces, it also contains within itself, in a materialised form, the result of the influence of the predominant system of social relations of production, an influence which naturally depends to a great extent on the character, degree of maturity and concrete organisation of the given relations of production.

In the context of socialism, the influence exerted by the

socio-economic form of production on the content of labour presents itself as a highly important economic, social and political problem.

It is, first of all, a problem of socialism's great historical advantages in respect of the growth of the productive power of social labour. The point is that the social form of socialist labour not being antagonistic, it reflects the combination of social, collective and individual interests of socialist working people and gives ample room for the development of the socialist society's productive forces. The advantages of the socialist system as a powerful factor in boosting the productivity of social labour have been convincingly demonstrated by the record of Soviet economic development, despite the fact that it has had to proceed in the extremely unfavourable conditions of socialism's economic blockade by the imperialist powers, all manner of economic subversions by imperialism, which seeks to use external economic ties, among other things, to put pressure on the socialist countries, and despite the fact that the USSR suffered immense losses in the Second World War, imposed on it by imperialism.

Table 13

Labour Productivity Growth in Industry (per worker)

	1950	1960	1965	1970	1981	1983
USSR	100	204	256	338	543	570
USA	100	141	176	193	254	260
FRG	100	176	222	286	404*	430
Great Britain	100	133	164	195	253*	310
France	100	163	203	254	355*	380

[1]*Source*: *The Economy of the USSR*, Finansy i statistika, Moscow, 1982, p. 98; 1984, p. 65 (in Russian).

*1980

The social form of socialist labour is capable of acting as the locomotive of the productive forces precisely because it deeply intrudes into the content of labour, promoting the efficiency of concrete labour, i.e., the growth of its productive power.

The development of the creative character of labour, its growing intellectualisation, and enrichment of the content

of labour—which is, of course, most intimately connected with the rising productivity of social labour, but which also has a significance of its own—is another exceptionally important aspect of the influence exerted by the social form of socialist labour on its content. It is a fact that the development of the creative character of labour operates as an essential factor in the harmonious development of the socialist individual.

What all of this signifies is that the content of socialist labour has two closely-interrelated aspects. First, there is its techno-production aspect, which is directly determined by the interaction between man and Nature, i.e., by the state of the productive forces. Second, there is the socio-economic aspect of the content of labour which is determined by the changes in man's relation with Nature stemming from the social form of socialist labour, an aspect which tends to have a growing significance as man increasingly masters the laws of Nature and as the socialist social system is consolidated and developed.

It follows that it is wrong to narrow down the category of labour content to its techno-production aspect, because it prevents a politico-economic analysis of the influence exerted by the social form of socialist labour on its content, thereby making the management of the process more difficult. It is a fact, however, that this problem has a most immediate bearing on attaining the objective goal of socialist production, because it involves the influence of the socialist relations-of-production system on the content of socialist labour for the purpose of creating the conditions for the individual's all-round development as a basis for ensuring a productivity of social labour unheard of under capitalism. As socialism develops, it increasingly tackles the problem of transforming the content of labour for the solution of these organically related tasks: on the one hand, the ever greater efficiency of social production, and on the other, the flowering of all the creative capacities of the socialist individual.

The two-fold content of socialist labour makes for the duality of the factors which determine it. The content of labour is, first, determined by the level to which the society's productive forces have been developed, and the decisive role here belongs to the on-going scientific and technical revolution, with its ever wider introduction of non-mechanical technology, automation and robotisation of production and

its control, all of which makes labour in the socialist countries increasingly creative and rich in content. Second, the content of socialist labour largely depends on the changes determined by the influence of the socialist social form of labour designed to secure safe working conditions, develop its creative character to the utmost, and ensure ever greater self-expression in labour for those who work in socialist production.

What has been said shows that the structure of the content of labour and the factors underlying its change are an important component part of this general question: realisation of socialism's historical advantages over capitalism.

4. Socialist Emulation: Its Techno-Production and Socio-Economic Aspects

Socialist emulation is an essential component part of the socialist society's social relations. It is part and parcel of socialist reality and has an active influence on every strand of its life, the economy in the first place. Its broad scope, voluntary nature and the enthusiasm of those taking part in the emulation all show very well how right Lenin was when he said that, far from doing away with emulation, it creates the opportunity, for the first time, "for employing it on a really *wide* and on a really *mass* scale, for actually drawing the majority of working people into a field of labour in which they can display their abilities, develop the capacities, and reveal those talents, so abundant among the people." [1]

What is socialist emulation? What are its essential and fundamental features?

Socialist emulation is a definite aspect of labour relations among the members of the socialist society, which is why its nature can be shown only in the light of the nature of socialist labour. For that reason, any analysis of socialist emulation from another angle, be it moral, aesthetic, or the like, cannot be accepted as scientific. Here it quite logically boils down to expressions of enthusiasm, patriotism, consciousness, higher labour productivity, education, and so on. Those are, of course, correct definitions in a sense, but they are inadequate, because they merely record either the out-

[1] V. I. Lenin, "How to Organise Competition?", *Collected Works*, Vol. 26, 1972, p. 404.

ward forms in which socialist emulation is expressed, or the functions it has to fulfil. One should bear in mind, however, that functions are no more than a specific expression of this or that essence and its properties, so that functions cannot, of course, determine the substance of a phenomenon. To accept the opposite view would be to remain on the surface of phenomena and to reduce essence to its external forms of manifestation. It follows, therefore, that an analysis of socialist labour must be the starting point in bringing out the nature and peculiarities of socialist emulation.

Considered from the standpoint of material and technical content, the labour of the members of the socialist society is above all collective labour determined by the technology of production itself. So, such collectiveness of labour is produced by the useful form of labour, and it is relatively independent of the social form of production. At the same time, the collectiveness of labour, i.e., the cooperation of many persons in the process of production, is invested with a new quality: it generates emulation among the workers: "Mere social contact begets in most industries an emulation and a stimulation of the animal spirits that heighten the efficiency of each individual workman." [1] It is indicative that Marx drew that conclusion when studying the capitalist cooperation of labour.

In this case, the nature and causes of the emulation among those involved in collective labour are determined by directly useful labour and its properties, instead of the specific social relations of production, which is why one could say that emulation engendered by the properties of useful labour does not amount to any special relation of production of the given mode of production, for it will be found in different socio-economic formations. There is a scientific explanation for it, because in this case the nature and causes of emulation among the participants in collective labour are determined by directly concrete labour and its properties, and not by the historically frameworked relations of production. Consequently, it is a phenomenon falling within the category of the society's productive forces, which does not, however, minimise in any way its great significance for the development of production.

Considered from the standpoint of social form, the labour of the members of the socialist society presents itself as di-

[1] Karl Marx, *Capital*, Vol. I, p. 309.

rectly social labour that is the vehicle of the new system of economic relations of which collectiveness is the gist. In this case, labour relations present themselves as relations between working persons banded in one labour association on the scale of the society as a whole on the basis of social property in the means of production, a common purpose in social production, collective labour, and appropriation of its results for the benefit of all the members of the society, as the only basis for the individual appropriation of material and spiritual products by every working person. In short, it is much more than merely collective labour as determined by the directly technical aspect of production, but is collective economic management in the process of which "after centuries of working for others, of forced labour for the exploiter, it has become possible to *work for oneself*." [1]

In these conditions, every person's individual appropriation depends on the efficient functioning of the collective worker of the society as a whole, which is, in turn, determined by the efficient functioning of each of its units. This interdependence of socialist working people objectively engenders relations of emulation between those involved in collective labour for the attainment of the best quantitative and qualitative results in producing material and spiritual values, and also relations of cooperation, mutual support and mutual assistance, so that emulation is invested with a definite social quality and operates as a form in which directly social labour is realised. Consequently, a special socialist relation of production—socialist emulation—emerges and develops on the basis of social property. It has an objective character, and that is something the society has to reckon with and find concrete organisational forms for its realisation. What is equally important is that, when considering socialist emulation from the standpoint of the dual nature of labour, one must see both of its aspects, which are determined, on the one hand, by concrete labour, and on the other, by social labour.

It is also important to emphasise at this point that the two aspects of emulation under socialism constitute a dialectical unity, whereas in antagonistic formations, the spirit of emulation in labour is eroded by the relations of exploitation and oppression. The distinction between the two

[1] V. I. Lenin, "How to Organise Competition?", *Collected Works*, Vol. 26, p. 407.

aspects of socialist emulation and simultaneously their dialectical unity are determined by stable causal connections and are expressive of essential elements of its content.

The conclusion that socialist emulation has a dual nature is of essential methodological significance and is a cognitive principle, for it helps to explain the relation between the spirit of emulation which springs from the collectiveness of labour as such, its cooperation, which is why it will also be found in antagonistic formations (even if in limited forms), and socialist emulation as a specific social relation of production under socialism. Such an approach helps to show the economic content of socialist emulation proper and its fundamental distinction from competition.

Everyone knows that outwardly they appear as rivalry, as a kind of contest, but that does not yet amount to an argument for identifying emulation and competition, something that, incidentally, is frequently done by bourgeois economists. The fact is that these are two totally different relations of production.

Competition is an expression of relations between private commodity-producers, and their characteristic features are rivalry and struggle with each other, since competition has its roots in the internal contradictions of private capitalist production. Indeed, the commodity made by the private commodity-producer is no more than an exchange-value for its owner, but is such in an individualised form. If it is to be vested with a universal, socially valid form, its value must take a leap from the body of the commodity into the body of the money,[1] the leap by means of which the commodity-producer's expended labour has to prove its social utility and usefulness. That is a matter of life and death for every producer, and that is why he is objectively placed in a relation of antagonism and struggle against other commodity-producers, since the sale of a produced commodity by one reduces the possibility of sale of commodities by others, or makes it altogether impossible. That is why these relations can essentially be nothing but relations of struggle, antagonisms and strife of interests. The implication is that the competition of private commodity-producers is a phenomenon that does not spring from the concrete aspect of labour, but from that aspect of it which creates value.

[1] See Karl Marx, *Capital*, Vol. I, p. 108.

By contrast, the interconnection and interdependence of working people under socialism is determined by the fact that each of them is a co-owner of the collectively used means of production and products, and because of their common interests another dimension is added to their relations of emulation, namely, the relations of comradely cooperation and mutual assistance. Nor are these ethical categories, but actual relations of production between the members of a well-knit labour association jointly carrying on economic and production activity.

The dual nature of socialist emulation is also expressed in the forms in which it is organised, and that has to be reckoned with in actual economic practice. Thus, such of its forms as occupational skill contests, emulation for the title of best rationaliser, top-quality producer, emulation of through-stream teams guaranteeing high quality from design to the finished product, and so on, are directly connected with the purposeful form of socialist working people's labour. At the same time, other forms of emulation are directly connected with the social form of socialist labour, namely, the movement for fulfilment and overfulfilment of plan targets, upward-adjustment of plans, emulation between industries of towns and districts with each other, and so on.

5. The Dual Nature of the Socialist Discipline of Labour

The dual nature of labour is also expressed in the "discipline of labour" category, which is likewise two-fold. Indeed, the very nature of machine production demands a definite coercive rhythm of labour, interdependence and cooperation of workers and responsibility of each for the common result. That being so, every worker in production acts as an organ of the collective producer the fulfilment of whose function in fact makes him a part of the given collective worker. In actual practice, such a collective worker is a production collective at the enterprise at which the given participant in production works. Here the collective worker, equipped with the means of production, is duly located in space and its functions are coordinated in time. The end-product it turns out is the result of the interconnected production functions of all its members and organs.

At the same time, the cooperation of labour not only increases the individual productive power, but also creates a

new productive power, namely, "the collective power of masses". [1]

One must specifically stress that the new productive power produced by the cooperation of labour does not spring from any improvement in the material elements of the productive forces (means of production) or a development of their individual elements (higher labour skills, greater complexity of labour, etc.).

This new productive force has a purely social character, for it springs from the cooperation of labour and results from the social contact of the actual producers in the process of production with each other. Marx says: "The sum total of the mechanical forces exerted by isolated workmen differs from the social force that is developed, when many hands take part simultaneously in one and the same undivided operation." [2] That productive force is all the greater when many hands equipped with modern science and technology perform a sequence of production operations along the whole stream of the production process, from the extraction of raw materials to the making of the finished product within the framework of the whole people's cooperation of labour. This means that the aggregate worker is able to function with adequate efficiency only if all its members and organs strictly abide by the coordination of the production functions they perform in space and time, i.e., only if labour discipline is not breached. Lenin says that machinery "makes absolutely imperative the strictest discipline, the utmost precision on the part of everyone in carrying out his allotted task". [3]

It follows that failure to observe labour discipline even by one member of the aggregate worker tends not only to reduce his individual productivity, but also variously to disrupt the smooth functioning of the aggregate worker, and thereby to reduce its productive power as a whole.

Here labour discipline appears as a specific productive force and a component part of the productive power of cooperative and combined labour, which tends to increase or decrease depending on the extent to which the spatio-temporal parameters of the functioning of each individual worker meet the requirements made on him by the move-

[1] Karl Marx, *Capital*, Vol. I, p. 309.
[2] Ibid., p. 308.
[3] V. I. Lenin, "The State and Revolution", *Collected Works*, Vol. 25, 1980, p. 485.

ment of the whole aggregate worker, that is, the extent to which the requirements of labour discipline are observed, which means that labour discipline, considered along the whole stream from top to bottom, is a component part of the productive power of the whole people's cooperation of labour. It also means that breaches of labour discipline at the individual workplaces or enterprises have far-reaching negative consequences for order within the national economy, namely, a reduced productive power of social labour as a whole. That is why if work in large-scale machine production is to be carried on successfully, all the participants in collective production activity must be subordinated to a single will, and the larger the enterprise, the more vital this demand. This kind of "technological" discipline results from the functioning of concrete labour, which is why it is quite natural that it will be found not only under socialism, but also under capitalism. The need for it is determined by the content of the production process as such, regardless of its social form.

But that is only one aspect of the matter. The other is that the social form of labour has a crucial influence on labour discipline and gives it a definite social quality as an economic category, whose character is determined by the dominant relations of production. It depends on the form of property in the means of production, on man's condition in the society and on the objective for which production is developed. Thus, in the slave-holding and feudal societies, labour discipline was maintained by personal dependence and crude extra-economic coercion to work. Capitalism established its own labour discipline and it is known to be based on economic coercion to work, i.e., on the threat of starvation. Deprived of the means of production—and so also of the means of subsistence—workers are forced to sell their labour-power to the capitalists, and the constant fear of losing their jobs and so being left without income or means of subsistence forces the wage-workers to bend to the discipline organised by the capitalists. Capital creates, says Marx, "an industrial army of workmen, under the command of a capitalist", which requires "like a real army, officers (managers), and sergeants (foremen, overlookers)".[1]

Socialist labour discipline has a totally different social nature, because it is an expression of the socialist relations

[1] Karl Marx, *Capital*, Vol. I, p. 314.

of production, which are relations between equal working people united in collective production and appropriation and working for themselves and for their own society, "class-conscious and united working people, who know no yoke and no authority except the authority of their own unity". [1]

The socialist cooperation of labour has taken shape on the basis of social ownership of the means of production, uniting within its framework the working people freed from capitalist exploitation. In the new conditions, production came to be carried on not for the private interest, as it is under capitalism, but for the benefit of the whole people. Labour has been organised in a balanced way and the working people have begun to work for themselves and for their own society.

Socialist labour discipline is a broad concept. Every type of human activity produces a corresponding type of discipline. So, the team form of labour organisation requires team discipline.

Under the present level of socialisation of socialist production, the framework of the aggregate worker is not limited to the production collectives of individual enterprises, for these enterprises themselves operate as necessary production units of the corresponding industries and sectors of the national economy, and thereby also of the whole people's cooperation of labour. That requires state discipline in fulfilling plan assignments and observing financial and contractual arrangements. Plan discipline is closely bound up with contractual and labour discipline at the enterprise.

In the new conditions, the working masses and their social organisations have the crucial role in shaping labour discipline, and the community of their interests makes socialist labour discipline a new type of comradely, conscious discipline, a discipline of mutual trust and high organisation, a discipline of the utmost mutual respect, independence and initiative. [2] It originates in a society of working people, of comrades in collective labour, and is determined by a society living according to the laws of collectivism. That is why any coercion to labour based on the use of

[1] V. I. Lenin, "A Great Beginning", *Collected Works*, Vol. 29, 1977, p. 423.

[2] See V. I. Lenin, "Fifth All-Russia Congress of Soviets of Workers', Peasants', Soldiers' and Red Army Deputies", *Collected Works*, Vol. 27, 1977, p. 515.

force is intrinsically alien to socialism, and that is why, in the dispute with the Trotskyites in the early years of the socialist society, the Communist Party resolutely rejected the idea of "tightening up the screws" on the working masses and solving economic problems by means of repression, which Trotsky believed to be a necessary instrument of the socialist dictatorship for attaining economic goals.[1] That is not so at all, because socialism emerges and develops not on forced labour, but on absolutely new economic relations, the relations between equal members of one labour association jointly engaged in economic management. That is precisely the substance of the new labour relations engendered by socialism, and it was not understood by the Trotskyites. Meanwhile, the record of history makes it quite plain that it is altogether wrong to view socialist labour discipline as being essentially coercive.

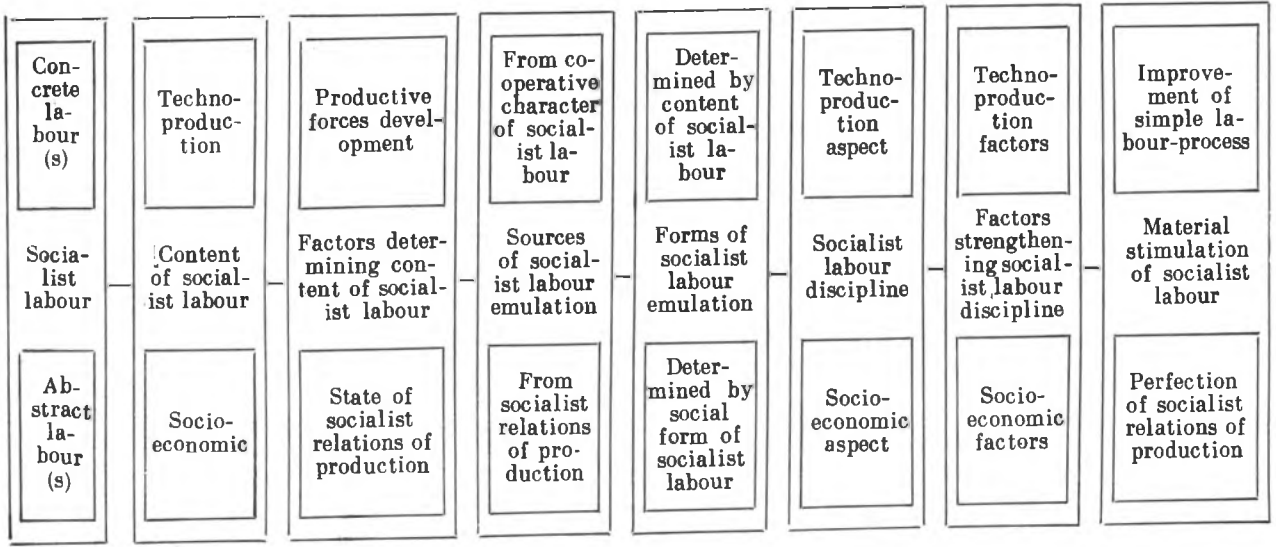
It follows that socialist labour discipline does not imply any blind or mechanical obedience, but the fulfilment of reasonable requirements of the society and the state which are determined by the new nature of the relations of production. Socialist labour discipline increasingly presents itself as a cognised and perceived imperative, while being a necessary element in strengthening and developing the socialist society and its basic principles. "The point of the Party's efforts to improve ... labour discipline is not only to overcome certain shortcomings and difficulties—which by itself is extremely important—but, in the final count, to strengthen still more the foundations on which the socialist way of life rests."[2] So, that aspect of socialist labour discipline stems from its social form. It is important to reckon with the two aspects of socialist labour discipline not only for theoretical but also for practical reasons, notably in selecting the methods to be used in strengthening it.

The ways of enhancing labour discipline are likewise two-fold, because they are an expression of the dual nature of labour discipline. One of these ways springs from the concrete aspect of labour and consists in raising the level of mechanisation and automation of production, its technological character, improvement of labour organisation, and so on. The other way of strengthening labour discipline is close-

[1] See *The Ninth RCP(B) Congress, March-April 1920, Protocols*, Gospolitizdat, Moscow, 1960, p. 93 (in Russian).

[2] Yuri Andropov, *Our Aim Is to Preserve Peace*, Novosti Press Agency Publishing House, Moscow, 1983, pp. 51-52.

Fig. 37


Concrete labour (s)
Socialist labour
Abstract labour (s)
Techno-production
Content of socialist labour
Socio-economic
Productive forces development
Factors determining content of socialist labour
State of socialist relations of production
From co-operative character of socialist labour
Sources of socialist labour emulation
From socialist relations of production
Determined by content of socialist labour
Forms of socialist labour emulation
Determined by social form of socialist labour
Techno-production aspect
Socialist labour discipline
Socio-economic aspect
Techno-production factors
Factors strengthening socialist labour discipline
Socio-economic factors
Improvement of simple labour-process
Material stimulation of socialist labour
Perfection of socialist relations of production

ly bound up with the socio-economic form of labour which is appropriate to socialism and which implies an improvement of the system under which the results of production are distributed in accordance with the quantity and quality of labour, including wages, bonuses, distribution of profits, etc.

Here one should bear in mind that in virtue of the dual nature of labour under socialism, the stimulation of labour is likewise two-fold. Economic writers usually identify the material and moral incentives for labour, but in so doing one tends to lose sight of the whole aggregation of incentives stemming from the simple labour-process as such, i.e., the production of use-values. Practice shows, however, that labour can be stimulated by labour itself, or to be more precise, by progressive changes directly in the simple labour-process through an enrichment of the content of labour, reduction of its monotony, improvement of working conditions, application of progressive working-time-tables, and so on.

Thus, an approach to the labour-stimulation problem in the light of the dual nature of labour helps to bring out two main lines for such stimulation by means of directly economic factors—improvement of the simple labour-process, on the one hand, and perfection of the forms of socialist relations of production, above all those based on the law of distribution according to labour, on the other. These two lines are supplemented with moral incentives for work, which contain sizable reserves for strengthening discipline and raising labour productivity.

Our analysis shows, therefore, that the content of socialist labour, socialist labour emulation, socialist labour discipline and material stimulation of socialist labour are two-fold phenomena (see Fig. 37).

* * *

As we have shown, labour in the socialist society has a dual nature, and this is manifested, primarily, in its definitions, among them the quality of labour, the discipline of labour and productive labour. At the same time, the dual nature of labour in the socialist society is also reproduced in other economic phenomena and processes, so making them two-fold as well. This certainly takes place in specific forms, by means of intricate dialectical transitions, but that does nothing to change the substance of the matter.

Chapter Twelve

THE DUAL NATURE OF DIRECTLY SOCIAL LABOUR AND SOME ASPECTS OF SOCIALIST REPRODUCTION

The methodological role of Marx's dual-nature-of-labour doctrine in studying the socialist relations of production can not be fully brought out unless it is also applied to the analysis of socialist reproduction, and just how fruitful this approach is will be seen from the following examination of some of its aspects in that light.

1. Two Aspects of Socialist Reproduction

Like reproduction under capitalism, or any other socio-economic formation, socialist reproduction is a social process of production seen as an integral whole in a ceaseless stream of renewal. [1]

From the standpoint of its material content, it is connected above all with the reproduction, distribution, exchange and consumption of the aggregate social product, and here it is similar to capitalist reproduction. But socialist reproduction differs drastically from capitalist reproduction in socio-economic nature, forms of movement, pace, and economic conditions in which the socialist social product is realised. That is quite natural in itself, for reproduction processes under socialism, to say nothing of communism, involve the realisation of relations of production which are diametrically opposite to capitalist relations. So the question arises: does that mean that under directly social production in general, and under socialism in particular, reproduction ceases to be two-fold, as it is under the capitalist commodity economy?

Let us note that there is no denial that reproduction proc-

[1] See Karl Marx, *Capital*, Vol. I, p. 531.

esses under socialism are two-fold, and it is a fact which is, as a rule, taken into account in the planned management of the socialist economy, which means that the movement of the social product and its component parts is seen as a unity of the movement of the value and material (natural) forms. That is why socialist planning and economic agencies, both on the enterprise level and on the level of the national economy as a whole, seek to tie in the replacement of the component parts of the aggregate social product both in terms of value and material (natural) form. The socialist society seeks to prevent any break or discrepancy between them in the planned management of the national economy, and that is why various natural and value balances (general economic, inter-sectoral, intra-sectoral, and so on) are worked out. The aggregate social product and its basic structural elements (national income, surplus-product, final product, etc.) are planned and accounted in terms of value and material (natural) form, for otherwise it is impossible to ensure balanced reproduction and optimal macroeconomic proportions and, consequently, its high efficiency. All of this shows that socialist reproduction is actually two-fold, and is based on the dual nature of socialist labour, which presents itself, on the one hand, as concrete labour producing use-values, and on the other, as abstract labour producing product-value. Applied to the product of a socialist enterprise, this duality, it will be recalled, is expressed in the form of a unity of use-value and value. For its part, the aggregate social product is a sum-total of the results of the production activity of enterprises in the course of a year.[1] That is why the socialist aggregate social product is likewise two-fold, so that the dual nature of socialist reproduction processes is, in effect, merely a mode of expression, or a concrete form of the being of the dual nature of socialist labour, which, one should note, has its own characteristic features stemming from the contradictory combination of directly social and commodity relations within labour relations under socialism.

That is how things stand under socialism, but we feel that reproduction processes will continue to be two-fold

[1] Remarking on this fact, Marx says: "The annual product of the society consists only of the sums of the products of the individual capitalists who belong to that society" (Karl Marx, *Capital*, Vol. II, p. 372).

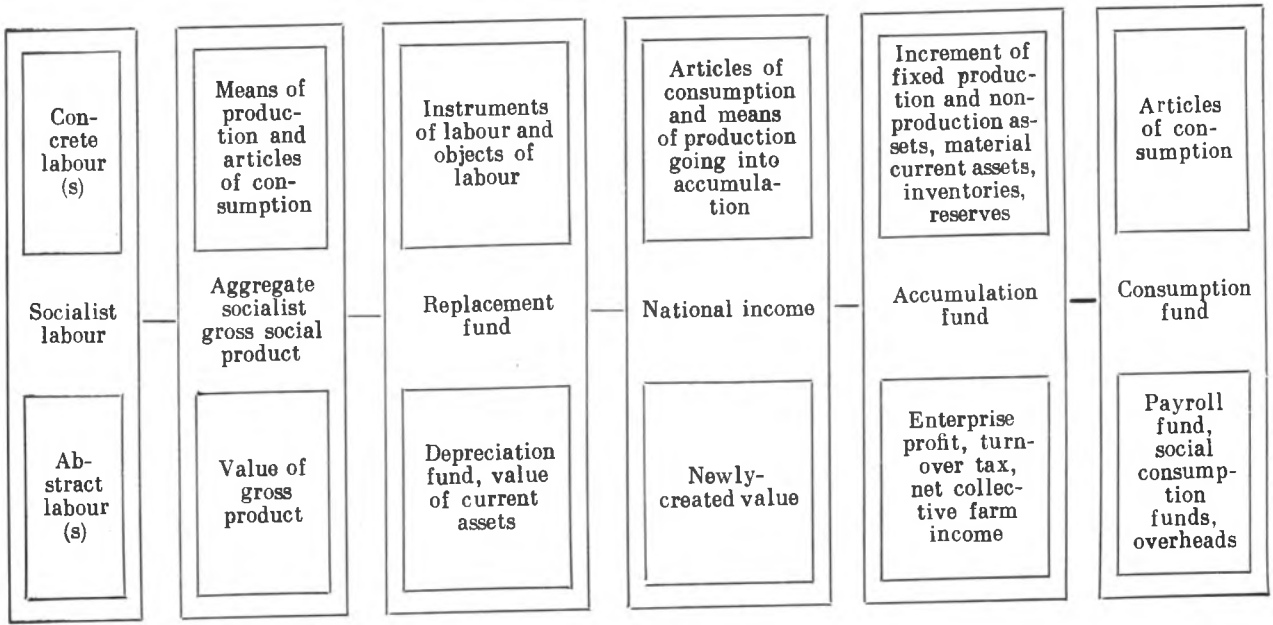
even when production, and so also the product of social labour, shed their commodity form.

This duality will undoubtedly have a specific character and will differ from the duality under commodity production both from the standpoint of socio-economic content and form of expression. But that is hardly good ground for denying it altogether.

That is the only correct conclusion if one follows the substance and logic of Marx's doctrine of the dual nature of labour. Since directly social labour, like labour in the capitalist commodity economy, has a dual nature (although it is a specific duality), reproduction in the communist society must also have a dual nature, which is why its aggregate social product and its component parts will present themselves in the natural and the directly labour (units of labour-time) form. The elimination of the value form of labour inputs, i.e., the inputs of labour-power, does not at all signify that in the communist society no importance will be attached to the question as to how great they should be to ensure the normal course of social reproduction. The need to replace the component parts of the social product in the course of social reproduction in material (natural) form implies the expenditure of a definite mass of labour in general (both materialised and living) for the purpose of their production. Any disruption of the corresponding proportions between the material (natural) and directly labour forms of the aggregate social product will objectively create conditions hampering the course of the reproduction process, and this could be expressed in a discrepancy between the quantity of the means of production at the society's disposal, and the quantity of manpower in the various sectors of the national economy, or in the form of a discrepancy between the need for the instruments of labour and raw and other materials of Department II and the quantity in which they have been produced in Department I.

Such phenomena are at root connected primarily with disproportions in labour resources, which is why determination of the magnitude of labour resources (in terms of man-hours) as a whole, their distribution by sector and industry, establishment of the necessary balance between inputs of materialised and living labour on the level of the society as a whole will constitute a necessary element of reproduction processes. In this context, let us recall Lenin's interesting

Fig. 38


Concrete labour (s)
Socialist labour
Abstract labour (s)
Means of production and articles of consumption
Aggregate socialist gross social product
Value of gross product
Instruments of labour and objects of labour
Replacement fund
Depreciation fund, value of current assets
Articles of consumption and means of production going into accumulation
National income
Newly-created value
Increment of fixed production and non-production assets, material current assets, inventories, reserves
Accumulation fund
Enterprise profit, turnover tax, net collective farm income
Articles of consumption
Consumption fund
Payroll fund, social consumption funds, overheads

remark when commenting on Bukharin's book *Economics of the Transition Period*, when he emphasised that "even under pure communism" there will be the "proportion of $I\ v+m$ to SV", "accumulation",[1] in other words, even in the communist society the aggregate social product will be divided into $c+v+m$, for that is objectively determined by the uniformities of social reproduction, although the socio-economic content of these parts of the social product will differ fundamentally from those under capitalism.

The foregoing warrants the conclusion that even in the communist society reproduction will be two-fold. Diagram 38 shows the dual nature of the socialist aggregate social product.

2. The Concept of Gross Product in the Light of the Dual-Nature-of-Labour Doctrine

Various types of social product—gross, commodity, final, net, surplus and others—are used in the planned management of socialist reproduction and its individual units, and each of them has its own economic functions, reflects definite economic ties, and has its own peculiarities of movement.

Among these, gross social product has a place apart. Let us recall that in substance it is the total volume of the product of the national economy turned out in the course of a year, which means that it sums up the results of the production activity of enterprises in industry, building, agriculture, forestry, freight transport, public catering and other sectors of material production, with the product of the individual enterprise presenting itself only as an element of the total gross social product. That is what primarily determines the role of the gross social product in the economic life of the socialist society. First, the volume of the gross product as a whole (and per head of the population) is one of the leading economic indicators of the country's development. Second, it represents the existing inter-sectoral and intra-sectoral material connections. Third, it is the normative computing and accounting basis for the management of the national economy in general, and its planning in particular. Accordingly, it provides the basis for computing var-

[1] *Lenin Miscellany XI*, p. 349 (in Russian).

ious types of macroeconomic balances, and indicators of labour productivity, material-intensity, and so on. That is why the definition of the magnitude of the gross product, i.e., the indicator of the value volume, is of considerable importance for economic practices in the socialist society, since any overstatement or understatement of its volume means that planning is out of touch with the actual economic processes of reproduction.

In that context, exceptional importance attaches to the methods used to measure and account the social product. These should be such as to be most fully in accord with the actual processes of reproduction and the movement of the gross social product and all its component elements.

Practice shows that it is not so easy to realise this methodological requirement, and the method of calculating the volume of the gross social product now being used in economic activity is largely imperfect, chiefly because of the repeated counting involved, which tends to distort the magnitude of the transferred value within the social product, and also to result in an identification of a part of the newly-created value with transferred value, which have a totally different economic substance.

However, the application of Marx's dual-nature-of-labour doctrine to reproduction processes helps to gain a deeper understanding of the deficiencies of the methodology used in computing the gross social product, and so also of the nature of these shortcomings and ways of eliminating them.

Let us recall that the value of the gross social product is determined on the basis of what is known as the factory method, which consists in the value of the product of each enterprise being included in the value of the product of the following enterprise at which it is given additional treatment, an approach which inevitably produces a repeated count. What is more, the greater the number of stages of product-treatment identified at independent enterprises through which the product passes, the larger the repeated count. This sometimes results in a double, treble and even a multiple count of one and the same value in a compound total, which tends to overstate the actual volume of the social product turned out by the society, with all the negative consequences that this has for planned economic management. That is one aspect of the matter. The other is that within the framework of Department I of

social production there are direct connections between enterprises in the mutual supply of raw materials and intermediate products, i.e., current assets, and also fixed assets. That is why from the standpoint of separate enterprises the consumed assets present themselves as past, materialised labour, i.e., as transferred value, although they are an embodiment of newly-created value within the framework of Department I. And since the gross social product is the sum-total of the products of the individual enterprises, there is—for that purely accounting reason—a reference of economically heterogeneous, and qualitatively different value elements of the social product to one and the same rubric. The result of such an approach is identification of some parts of the product constituting the society's income with that part of it which is embodied in transferred value, which produces a distorted reflection of the actual course of social reproduction. One of the reasons lies in a departure from Marx's dual-nature-of-labour doctrine, which in itself testifies to the need for using it as the key methodological principle in analysing socialist reproduction as well.

Let us also note that Marx consistently used his dual-nature-of-labour doctrine as the methodological principle in analysing economic phenomena, while taking account of the specific manner in which the dual nature of labour was realised at the various levels of the economy. Thus, on the level of the society the mechanisms of its realisation and forms of manifestation have a specific and simultaneously more complex character than those at the level of the individual enterprise. It is, in a sense, a second and higher stage at which the duality of economic processes is realised in practice. That is the approach Marx appears to have made the basis of his analysis of reproduction, as otherwise it would have simply been impossible to understand a number of uniformities. Incidentally, we believe that it is the oversimplified and to some extent mechanistic application of the dual-nature-of-labour doctrine in analysing socialist reproduction which has produced some confusion on the concept of gross product.

What then are the new elements in social reproduction that spring from the dual nature of labour?

In down-to-earth economic activity, the gross social product is produced in the process of production activity at individual enterprises, in the course of which both its

value and its material (natural) content are shaped, and it would be totally unrealistic to assume that all the definitions intrinsic to the product, as the product of the individual enterprise, disappear within the gross social product, for in that case their interconnection would disappear, i.e., the whole and the parts would be intrinsically unconnected. But then it would also be wrong to fail to see the differences between them. As for common features of the product of the individual enterprise and the gross social product they are manifested in the division of the latter, as of the former, into three parts (transferred value, wages, and the value of the surplus-product). There is also the operation of the same mechanism by means of which the value of the consumed means of production is transferred by concrete labour and new value is created by abstract labour, together with other similar processes. At the same time, there is also evidence of new elements connected with both concrete and abstract labour.

On the level of social reproduction, concrete labour is given new difinitions, and the whole range of its types and sub-types, which constitute the basis of social production as a material and technical process, are grouped into two departments, the first producing the means of production, and the second, the articles of consumption. That is due to the fact that, in contrast to reproduction at the individual enterprise, the natural form of the product ceases to be a formal element and becomes a real element of reproduction. Marx says: "So long as we looked upon the production of value and the value of the product of capital individually, the bodily form of the commodities produced was wholly immaterial for the analysis... This merely formal manner of presentation is no longer adequate in the study of the total social capital and of the value of its products. The reconversion of one portion of the value of the product into capital and the passing of another portion into individual consumption ... form a movement within the value of the product itself in which the result of the aggregate capital finds expression; and this movement is not only a replacement of value, but also a replacement in material and is therefore as much bound up with the relative proportions of the value-components of the total social product as with their use-value, their material shape." [1]

[1] Karl Marx, *Capital*, Vol. II, p. 398.

In virtue of these circumstances, the natural form of the product (concrete labour) already has an essential role to play in the process of reproduction. Thus, unless the functional role of the elements of the product determined by their bodily form is taken into account, it is impossible to understand the specific character and certain elements of the value of the social product.

The unity of the material and the value form of the socialist aggregate product determined by the dual nature of directly social labour presents itself in a peculiar and contradictory form.

Thus, newly-created value in Department I, which under simple reproduction refers entirely to income (leaving aside expanded reproduction for the time being), outwardly appears in the form of the produced means of production, whose consumption is always associated with inputs of constant capital, i.e., transferred value. Consider Department II, where the transferred value of the means of production outwardly appears in the form of articles of consumption, i.e., income, which is known to come from newly-created value. All of this implies, first, that there is an obvious contradiction between the functional designation of certain parts of the product determined by their material form (concrete labour) and their functional designation determined by the economic nature of the value incorporated in them (abstract labour), and second, that the balance between them is such that the material form of some parts of the product appears to obscure their economic content. The dialectics of this interrelation can be unravelled by applying Marx's dual-nature-of-labour doctrine to the processes of reproduction, while neglect of it inevitably produces erroneous notions.

Thus, if the above-mentioned contradiction between the functions of the product stemming from its material form, and the functions stemming from the economic content of its value is ignored, the value of the means of production produced and consumed in the course of a given calendar year within the framework of Department I could be referred to transferred value, which is why the gross product conception is methodologically deficient. Indeed, from the standpoint of the individual enterprise the means of production which have been received and used up (raw materials, intermediate products, etc.) are past labour, and so their value appears as transferred value. The summing-up

within the framework of the social product of the value of the products of individual enterprises signifies that these inputs fall under the head of transferred value. However, from the standpoint of the society they are newly-created value.

This will be seen from the following example in which the volume of the aggregate social product is determined on the basis of the gross product concept. [1]

Table 14

Successive stages of production	Transferred value			Newly-created value	Product value
	raw and other materials	depreciation	total		
Stage I	20	20	40	60	100
Stage II	100	20	120	80	200
Stage III	200	20	220	80	300
Stage IV	300	20	320	120	440
Product value	620	80	700	340	1,040

What are the conclusions the table suggests?

The transferred value in the product volume comes to 700 units. But how has it taken shape? It turns out that it is largely the result of repeated counting: the product value of Stage I has been counted thrice (it is counted in the product value of Stage II, III and IV), the product value of Stage II has been counted twice, and so on.

Characteristically, the repeatedly counted value, which has been referred to transferred value, is largely made up of newly-created value. In our example, it is the 60 units of newly-created value at Stage I which have been included in the value of the ore (100 units) used at Stage II; it is the 80 units of newly-created value at Stage II which have been included in the value of the pig iron (200 units) used as raw materials at Stage III, and so on.

So, a definition of the magnitude of the socialist social product on the basis of the gross-product concept tends to distort not only its quantitative aspect, but also the eco-

[1] That table could well be a representation, say, of the four stages in the production of metal (Stage I—extraction of ore, State II—smelting of pig iron, Stage III—smelting of steel, and Stage IV—rolling of stock).

nomic substance of the replacement fund, i.e., the magnitude of the actually transferred value.

It follows from the letter and spirit of this concept that it fails to reckon with the actual economic nature of value which is incorporated in the means of production created in the course of a calendar year. But the objective economic reality is such that, while the objects of labour embodying income, created in the course of the current economic year and consumed in Department I, may represent an expenditure of the means of production from the material standpoint, they are income in terms of their economic nature, which is why it is not right to refer inputs in natural form to transferred value, as this tends to pool value parts of the aggregate social product with an opposite economic nature, that is, to pool income and transferred value.

It has been demonstrated that Marx's dual-nature-of-labour doctrine alone helps to give a truly scientific explanation of these processes.

Let us note here that connected with the dual nature of labour is the fact that the material elements constituting the material content of the corresponding elements of the value of the social product have a functional role which is determined not only by their material form, but also by their economic nature and by the function of a certain part of the value which stems from it. In short, they have a two-fold functional role, and that is the basis on which the methodology for computing the volume of the aggregate social product should be formulated.

The above-mentioned deficiencies in the gross-product concept have induced Soviet economists to seek to formulate a new methodology for computing the volume of the aggregate social product, but that is a matter which is outside the framework of this book.

3. The Value and the Material (Natural) Movement of the National Income

The dual nature of the aggregate socialist social product also makes for the dual nature of its component parts, which is why these necessarily have to be—objectively—analysed in the light of the dual-nature-of-labour doctrine. This fully applies, in particular, to a component part of

the aggregate social product known as the national income, which, like the whole product, is a unity of the material (aggregation of use-values) and value forms, a fact from which it follows, above all, that it would be wrong to regard national income simply as newly-created value: there is also its other aspect—the material (natural) aspect—that needs to be reckoned with. That is the view of national income which Marx takes in the light of his doctrine that the commodity-producers' labour is two-fold, and one is left with no doubt on this score if one considers what Marx directly says about gross income, the term he used to designate national income: "The gross income is that portion of value and that portion of the gross product measured by it which remains after deducting that portion of value and that portion of the product of total production measured by it which replaces the constant capital advanced and consumed in production." [1]

One could object, of course, that Marx was considering capitalist commodity production, and that is quite true, but that is not the important thing. What is important is his methodological approach, namely, his identification of the two aspects of national income (gross income), a methodological principle which remains valid when applied to directly social production, including socialist production, because under it the nature of economic phenomena is likewise two-fold. And what is true of the whole must also be true of its component parts.

The distinction between the two aspects of national income is highly important for bringing out the uniformities governing its movement in actual economic life. Indeed, the movement of the net product, or national income, and the rate of its growth is one of the fundamental questions in socialist economic development, and that also follows from its economic content and objective. Let us recall that in economic substance national income is the net product of the socialist society which is used for the purposes of popular consumption and expanded production. It is this designation of the national income that makes it so important for the management of the economy. Successful use of net product for that purpose should, of course, be based on a deep knowledge of the uniformities underlying its movement.

[1] Karl Marx, *Capital*, Vol. III, p. 840.

Growing productivity of social labour, changes in the number of workers employed in social production, decreases or increases in the amount of productive labour-time, reduction or growth of the material-intensity and asset-intensity of the product, changes in the structure of social production and similar processes have a direct or indirect effect on the society's net product. One essential point here is that the movement of the mass of net product and its value not only may not coincide, but may actually run in different directions.

Thus, the physical volume of national income may grow, while its value remains constant, or its value may decrease with a simultaneous growth of its material (natural) mass, and so on. But however mysterious such phenomena in the movement of the society's net product may appear to be, they are fully explicable in the light of the dual-nature-of-labour doctrine. In this context, Marx says: "An increased quantity of material wealth may correspond to a simultaneous fall in the magnitude of its value. This antagonistic movement has its origin in the two-fold character of labour." [1]

The point is that growing productivity of social labour tends to have a dissimilar, or rather, an antagonistic influence on the value of the net product and on its material mass: "The same change in productive power, which increases the fruitfulness of labour, and, in consequence, the quantity of use-values produced by that labour, will diminish the total value of this increased quantity of use-values, provided such change shorten the total labour-time necessary for their production." [2] That is a uniformity one also finds in the socialist society, and it necessarily has to be reckoned with. What is more, the socialist society needs constantly to take account of it in the practice of its planned management of the national economy.

Hardly anyone will doubt that the national income needs to be maximised and the rate of its growth increased. That is quite natural, because it is the main source for satisfying the growing material and spiritual requirements of the members of the socialist society and expanding social production. The larger the national income at the disposal of the socialist society, the greater its potentialities for suc-

[1] Karl Marx, *Capital*, Vol. I, p. 53.
[2] Ibid.

cessfully tackling these tasks, and the record of socialist economic development provides unambiguous confirmation of the fact. But one necessarily has to ask: what does maximising national income mean? The answer has a close bearing on the question of the ways in which national-income growth is accelerated.

Considering that national income is a unity of material and value forms, it would appear at first sight that maximisation should involve a simultaneous growth of both its aspects, but a closer look shows that the assumption that maximisation of national income, or net product, as maximisation of newly-created value does not make economic sense. Let us recall that value, i.e., the volume of labour-time expended and embodied in a given mass of use-values tends to grow most under extensive production, but that is precisely when the greater expenditure of manual labour produces a greater mass of value, and simultaneously a slower growth in the volume of use-values. Consequently, maximisation of national-income value would signify the need to develop extensive forms of production, which is clearly at odds with the whole course of its development.

What is more, if maximisation of national income meant a growth of its value, that would induce the socialist society to give every encouragement to the development of the most labour-intensive lines of production and technologies. That would obviously disagree with the actual practice of socialism, under which economies of labour-time (together with labour-productivity growth) are the "first economic law if communal production is taken as the basis".[1] Consequently, the content of national-income maximisation is determined by its second aspect, and it presents itself as a growth of the material form of the national income, i.e., a growth of the aggregate mass of use-values corresponding in composition to the structure of the society's requirements.

Accordingly, the socialist society seeks to have the national-income mass grow with a simultaneous reduction in its value. In other words, output is increased with a simultaneous reduction in the labour inputs, so that the reduction in the value volume of the national income is paralleled by a growth of its material mass. Let us note that the

[1] Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, S. 90.

greater this difference in the direction of their movement, the more efficient is the development of social production.

Without examining the problem of national-income maximisation in comprehensive detail, let us accentuate what is relevant to our analysis, namely, that the methodological principle deriving from Marx's dual-nature-of-labour doctrine, which implies the consideration of economic phenomena as a unity of their material content and social form, is equally relevant to an examination of net product, or national income. The unity of its two aspects does not signify, in particular, that there are no contradictions between them. Indeed, far from coinciding, the movement of its two aspects may, in fact, run in opposite directions.

Such an approach shows that it is wrong, for instance, to assume that a reduction in the material-intensity of the product may be a source of national-income growth. What is the basis for such an assumption? It is obviously the view that national income comes down only to newly-created value. Indeed, with such an approach economies in material resources, constituting economies of past, materialised labour, cannot increase newly-created value. These elements of the socialist aggregate social product have a different economic nature: newly-created value is the result of abstract labour, and transferred value—of concrete labour. But from this also follows the fact that economies in material resources are the result of labour in its concrete form, which tends to increase the productivity of aggregate social labour and so to increase the mass of use-values constituting the national income. Indeed, a reduction in the material-intensity of the product is an important source for additional output of use-values. Thus, a 1 per cent reduction in material-intensity in 1982 amounted to an additional growth of the national income by 7 billion roubles (in actual prices).

Consequently, the dual-nature-of-labour doctrine helps to expose the one-sided interpretation of the national income as being merely newly-created value, and provides the scientific explanation for reduction of material-intensity as a factor of growth in the material form of the national income.

The dual nature of national income, which is determined by the dual nature of socialist labour, as the analysis above shows, implies the need to view its movement, on

the one hand, as a movement of value, and on the other, as a movement of material mass. This methodological principle is not only useful but necessary for analysing the movement of the national income, changes in the aggregate social product of the correlation between the replacement fund and the national income, the reserves for national-income growth and so on.

4. Two Aspects of the Law of Balanced Proportionate Economic Development

The dual-nature-of-labour doctrine also has an important methodological role in an analysis of the economic laws of socialism. Let us consider this by looking at the law of balanced, proportionate economic development.

Let us recall that the tying in of quantitative and qualitative units (sectors) is an objectively necessary and paramount condition for the normal flow of the production process, whether at the individual enterprise or in the society as a whole. It is a necessary proportionality which follows from the technological connection as such, i.e., it is determined by the concrete aspect of labour. Indeed, in any society, including the socialist society, which has a social division of labour, production cannot function or develop without definite proportions in the distribution of labour-power and the means of production between the various sectors of the national economy, types of production, and individual enterprises in accordance with the structure and volume of requirements. So, the functioning of labour, as an element of the productive forces, as concrete labour, implies a definite proportionality in its distribution, and that is a necessity which is also inherent in a society with haphazard and anarchic production. Marx says: "The masses of products corresponding to the different needs require different and quantitatively determined masses of the total labour of the society. That this *necessity* of the *distribution* of social labour in definite proportions cannot possibly be done away with by a *particular form* of social production but can only change the *mode* of its *appearance*, is self-evident." [1]

In contrast to the proportionality which is determined by

[1] "Marx to L. Kugelmann in Hanover", in: Karl Marx and Frederick Engels, *Selected Correspondence*, p. 209.

the social character of the productive forces, that is, by the concrete aspect of labour, under socialism there arises the need for a proportionality of social production stemming directly from the social property in the means of production, and from the directly social form of labour, when the relations of mutual agreement of quantitative and qualitative parameters of the productive activity of the members of the socialist society constitute an element intrinsic to that form of property and a necessary form of realisation. Indeed, the producers, united in a common purpose, and being equal co-owners of means of production, jointly managing their economy, objectively face the need for mutually concerting their activity in order to obtain the maximum effect. That is what makes the balanced conduct of the socialist economy, i.e., the conscious and constant maintenance of proportionality, possible and necessary.

In the socialist society there is, therefore, the need to concert the mutual labour activity of those involved in social production, which implies the need to ensure a definite correspondence in the development of the sectors, spheres and phases of social reproduction—and this is determined by both aspects of labour, i.e., by the society's productive forces (their social character) and by the social relations of production (their socialist character). That is an expression of the organic unity of proportionality and balance as the main characteristics of the law of balanced, proportionate economic development. It follows that the element of proportionality is an organic part of a specific relation of collective production, i.e., the relation of balanced development, which is an objective one. It springs from the character of the economic relations of the socialist society. That is why the operation of the law of balanced, proportionate development, as an economic law, is possible and necessary only under directly social production. In itself, the need for proportionality, i.e., the distribution of labour in definite proportions between different branches of production in accordance with social requirements but without the corresponding relations of production does not and cannot operate as an economic law, as will be amply evident from the example provided by the capitalist society, where the drive for profit, the competition between the capitalist commodity producers, and their warring interests predetermine what each produces at his own risk, so that the proportions objectively necessary in the distribution of labour

and the means of production are constantly upset and keep fluctuating. The whole record of capitalist development provides incontrovertible proof that, despite various attempts to "regulate the economy", "there never has been and never could be even, harmonious, or proportionate development in the capitalist world".[1] Let us emphasise in this connection that in the light of the dual-nature-of-labour doctrine, there is obviously nothing like the law of proportionality operating as an economic law in all the socio-economic formations.

To claim the opposite would be to dissect the law of balanced, proportionate development into two independent laws, which is methodologically untenable, as it would imply a severing of the concrete aspect of labour from its social form, whereas in fact they are a dialectical unity. As a result, the law would be deprived of its economic content. Since the operation of the law of balanced, proportionate development is predetermined by the two aspects of labour, that duality will also be found in its concrete forms, and naturally needs to be reckoned with in actual economic practice, and in the framing of macroeconomic plans.

Let us bear in mind that a balanced economy is a form in which the law of balanced, proportionate economic development is expressed and constitutes its main content, while being the key condition for enhancing the efficiency of socialist social production. After all, any disbalance between the branches of the national economy, i.e., any gap between planned requirements and actual output in terms of quantity and range, any discrepancy between their value and mass tends to disrupt the continuity of the production process at this or that point. This ultimately spells losses for the society. That is why balance is a necessary element of normal economic development. Here, a distinction needs to be drawn between two types of balance. First of all, there is the production and technological balance, which means that the tying in of the branches of the national economy in output, parameters, territorial location, delivery dates, and so on, is determined by purely technical and technological factors. It is based on the tying in of industries and lines of production as definite technological sub-systems geared into a single technological process. Accordingly, the

[1] V. I. Lenin, "The Third International and Its Place in History", *Collected Works*, Vol. 29, p. 308.

scale, volume and mix of the product in each industry and the interconnection between them are determined by the production process as such, i.e., by the need to keep it functioning without interruption. This kind of balance is, therefore, a purely technical one. At the same time, there is another kind of balance, namely, socio-economic balance, which is based on more than a technological tying in of output and product mix of industries with each other, i.e., on a tying in that would yield maximum economic efficiency for the socialist society. For its part, that implies a choice of optimal—from that standpoint—structure of social production, the most rational—from that standpoint, once again—location of production, and so on. The choice of variants for satisfying the production needs and the working people's individual requirements is here equally important. Consequently, balance presents itself as a unity of two aspects which are based on the dual nature of socialist labour. Let us also emphasise that the dialectical unity of the two aspects of socialist labour—and so also of the product—has an inner contradiction, and this is expressed, in particular, also in planning, i.e., in the actual implementation of the law of balanced, proportionate development.

Thus, it is highly important to have the right balance between material and value proportions, for if it is neglected or inadequately considered, balanced development is bound to be reduced, and this contradiction may assume especially acute forms whenever a gap is allowed to develop between supply and demand. Whenever demand markedly outruns supply, there is bound to be a decline in material interest, a lowering of labour productivity and a worsening of product quality. At the socialist stage, supply and demand have a commodity (value) form, but the elimination of the commodity form does not signify that the contradiction has been resolved. In effect, directly social use-value is detached from exchange-value, demand ceases to be effective demand and is converted into a form of direct need for products.

Centralised planning of the national economy, i.e., a conscious maintenance of proportionality for the purpose of ensuring the most rational socialist economic management, is a reflection and realisation of the operation of the law of balanced, proportionate development. At the same time, it predetermines the need for constantly perfecting planning,

which is the central element in the management of the national economy. The plan-indicators system has an important role to play in the practical realisation of that requirement. The importance of an economically justified combination of material (natural) and value economic-plan indicators has already been emphasised, but here we also have another problem, which cannot be successfully solved without a consideration of the dual nature of labour.

There is hardly a need to argue that one of the key functions of plan indicators is to orient each economic unit (enterprise, association, etc.) towards enhancing economic efficiency, and that is a condition which has to be met, in particular, also by the plan's material indicators. However, it is a requirement which is not always fufilled in actual planning. Thus, the planning of rolled-stock output and some types of equipment in tons leads to a situation in which the producers are not interested in reducing the weight of the machines, minimising tolerances in the making of rolled stock, etc., all of which undoubtedly causes considerable losses to the national economy. Economists have not lost sight of the defects of such indicators, and there is no point in their additional analysis here. They have been cited merely to illustrate the need for reckoning with the dual nature of labour when choosing plan indicators as well. Tons, metres and other natural standards of measure are in themselves widely used by the society for measuring the quantitative side of useful things, that is, these are indicators used to determine the quantity of use-values originating from concrete labour. But the product of labour is, after all, not only a material, but also a social phenomenon, and is the vehicle of relations of production, a fact that it is important to bear in mind when selecting plan indicators.

What this means, in concrete terms, is that these indicators should orient the producers towards enhancing the economic efficiency of production and improving the consumer properties of their products. The most important requirement made on indicators is that they should be a unity of measuring and economic functions determined by the unity of the concrete aspect of labour and its social form. When this requirement is observed, plan indicators make for efficiency, and when it is not, the society has to suffer losses. Thus, the planning of the bulk of the products in ferrous metallurgy in terms of tonnage does not stimu-

late any interest in the in-depth processing of raw materials and allows positive tolerances, so that thousands of tons of steel end up in the form of shavings. Another example is provided by the paper industry: the switch from the measurement of its output in tons to square metres has led to the production of thinner paper and even to negative tolerances, with a much larger finished product coming from the same mass of raw materials.

Chapter Thirteen

THE SOCIALIST WAY OF LIFE AS AN ECONOMIC PHENOMENON AND ITS TWO-FOLD STRUCTURE

An acute ideological struggle is under way over the politico-economic content of what is known as "way of life", its structure, the basic characteristics of the socialist and the capitalist way of life, the tendencies in their development and their historical perspectives. That is not accidental at all, since "way of life" is a concept which epitomises the phenomena and processes directly affecting the most vital interests of the classes now locked in contest with each other in the world arena, namely, the working class and the bourgeoisie. The issue over which a bitter struggle is being fought between the two ideologies is which social system—socialism or capitalism—is truly capable of assuring man of harmonious development.

Bourgeois ideologists keep extolling the capitalist way of life and seeking to get people to believe that "under capitalism they are living in a near-paradise",[1] while variously distorting the socialist way of life, making slanderous insinuations about socialism, ascribing to it the vices of the capitalist system, and twisting the very concept of way of life. They try to separate the way-of-life concept from the category of mode of production, despite the fact that in reality way of life is merely a specific aspect of the given mode of production, which is precisely why a distinction is made between the socialist and the capitalist way of life as extrusions of the respective modes of production. Bourgeois ideologists try to substitute the notion of living standards for the concept of way of life, which is in fact a category. Indeed, as we shall see later, living standards are no more than a characteristic of the

[1] *24th Congress of the Communist Party of the Soviet Union*, Novosti Press Agency Publishing House, Moscow, 1971, p. 109.

concrete-economic aspect of way of life as an economic phenomenon. Bourgeois theorists also engage in various tricks and dodges in falsifying the way-of-life concept for their propaganda purposes.

All these considerations, together with the theoretical, political and practical importance of the problem, make it necessary to analyse the socialist way of life in the light of Marx's dual-nature-of-labour doctrine, which provides the scientific approach in bringing out the socio-economic substance and main structural elements of the concept.

1. Socialist Way of Life as an Economic Concept

Way of life is a complex and multi-faceted phenomenon bearing on every aspect of human vital activity: biological, economic, political, spiritual, and so on, with the economic aspect having the leading role to play because the reproduction of man, his condition and his development as a social being are determined above all by his production activity, the extent to which he has mastered the laws and forces of Nature, and also by the character of the social relations of production prevailing in the given society.

That is why the way-of-life problem has to be considered from the standpoint of the Marxist-Leninist social-mode-of-production doctrine. Marx lays emphasis on the profound and intrinsic connection between the processes of human reproduction and mode of production, and adds: "Productive forces and social relations are both different aspects of the social individual's development." [1]

Up to now, there have been five modes of production in social history: the primitive communal, in which human history, in fact, has its beginnings; the slave-holding; the feudal; the capitalist (the three latter modes of production being based on man's exploitation by man and on class antagonisms generated by private property in the means of production); and the communist mode of production, which is based on social property in the means of production, and which has, for that reason, freed the working man from exploitation and oppression.

Mode of production is a dialectical unity of the productive forces and social relations of production and directly presents itself as the production and reproduction of the

[1] Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, S. 214.

material and spiritual goods and values which human beings require, and simultaneously of the relations-of-production system which is predominant in the given historical conditions, and which is determined above all by the nature of the property in the means of production.

However, mode of production also has another aspect. The reproduction of the means of subsistence which human beings require and of their social relations of production results in the reproduction of man himself, rather, of a definite social type of human being. In this context, Marx says: "This mode of production must not be considered simply as being the reproduction of the physical existence of the individuals. Rather, it is a definite form of activity of these individuals, a definite form of expressing their life, a definite *mode of life* on their part." [1]

It is perfectly clear, therefore, that Marx regards the economic phenomenon of mode, or way of life as a special aspect of the mode of production, namely, as the mode of production seen from the standpoint of its shaping of a definite social type of man.

It follows that, as an economic phenomenon, way of life is a category of the given mode of production, so that it is historical and tends to change and develop with the change and development of the mode of production generating it, and with the transition from one mode of production to another. In his "Principles of Communism", Engels stresses the historical character of way of life and the fact that each mode of production requires the kind of men and women that accord with the specific features of its productive forces and social relations of production: "Just as in the last century the peasants and the manufactory workers changed their entire way of life, and themselves became quite different people when they were drawn into large-scale industry, so also will the common management of production by the whole of society and the resulting new development of production require and also produce quite different people." [2]

Consequently, each mode of production reproduces not only the means of subsistence but also the people themselves,

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[1] Karl Marx and Frederick Engels, "The German Ideology", in. Karl Marx, Frederick Engels, *Collected Works*, Vol. 5, 1976, p. 31.

[2] Frederick Engels, "Principles of Communism", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 6, 1976, p. 353.

and it is this aspect of mode of production which has been reflected in a special category of political economy known as "way of life".

The production and reproduction of human beings should not, of course, be oversimplified, because the whole vast and intricate matter cannot be reduced to procreation and the rearing of offspring. Indeed, it entails the reproduction of a special social type of human being in line with the demands made on the human factor of production by the level of development of the productive forces and the character of the relations of production of the given mode of production.

For that reason, the socialist way of life does not simply differ from the capitalist way of life, but is its very antithesis from the socio-economic standpoint, to the same extent that socialist property in the means of production is the antithesis of private property in the means of production. Indeed, private property in the means of production necessarily generates such organic features of the capitalist mode of production—and so also of the capitalist way of life—as the bourgeoisie's exploitation of the working class, savage competition, a condition of war of everyone against everyone, the power of the rich men's money and the powerlessness of the working masses, and so on, and so forth. These peculiarities of the capitalist way of life were brought out by Engels in *The Condition of the Working Class in England*, where he says that "each exploits the other, and the end of it all is that the stronger treads the weaker under foot, and that the powerful few, the capitalists, seize everything for themselves, while to the weak many, the poor, scarcely a bare existence remains."[1] The exploitive capitalist mode of production determines the pragmatic and functionalist way of life of those who are caught up in capitalism's social relations of production, and reduces man's functions to those of producer and consumer.

By contrast, the socialist way of life has for its economic basis socialist property in the means of production, while the elimination of man's exploitation by man, the gearing of social production to the satisfaction of the requirements of the society and its members, and planned economic management give rise to a fundamentally different set of so-

[1] Frederick Engels, "The Condition of the Working Class in England", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 4, 1976, p. 329.

cial conditions for the reproduction of the social individual. The dominance of social property leads to the assertion of comradeship, collectivism and mutual assistance in the life of men and women, for if it is to develop, the socialist social system needs a totally new social type of human being whose creative potentialities are harmoniously developed, who works with dedication for himself and for his society, who is profoundly conscious of the basic community of interests of the individual, the collective, and the socialist society as a whole, and who scrupulously abides by the norms of socialist morality. Engels characterised the new social type of human being which the communist mode of production requires and which it itself reproduces, and added: "Industry carried on in common and according to plan by the whole of society presupposes moreover people of all-round development capable of surveying the entire system of production." [1]

The crucial distinction between the socialist and the capitalist way life is that the working person in the socialist society is not alienated from the means of production, being their proprietor alongside the other members of the society, and that under socialism no human being exploits another. That is why men and women under socialism no longer work to enrich the capitalists, but for themselves and for their own society. At the same time, the part of the product which is directly earmarked for the society ultimately serves the interests of every individual working person. As a proprietor of the means of production, the socialist working person is directly involved in the management of production and the disposal of the means of production alongside all the other members of the socialist society, who are equal in respect of the property in the means of production, all having an equal right to work and to take part in the appropriation of the results of labour on the basis of the principle of distribution according to work. The developing socio-economic equality of the members of the socialist society goes increasingly to create the necessary conditions for the harmonious development of the socialist individual and realisation of the individual's creative potentialities for the benefit of the society as a whole.

What has been said shows that way of life as an eco-

[1] Frederick Engels, "Principles of Communism", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 6, p. 353.

nomic phenomenon cannot be reduced to the concrete economic activity which is aimed at men's production and reproduction, i.e., to the directly production and consumption activity of human beings. That is only one aspect of way of life that is directly determined by the level and character of the society's productive forces at this or that stage of its development. The fact is that way of life as an economic phenomenon also has another aspect, namely, its socio-economic aspect, which is determined by the character of the relations of production prevailing in the given society, and by the form of property in the means of production. That is why there is a distinction between the capitalist and the socialist way of life: indeed, they negate each other by their socio-economic characteristics.

So the socio-economic substance of the socialist way of life comes down to the socialist social form of useful, purposeful human activity in the given society in the production and reproduction of the specific socialist social type of human being.

But what has been said likewise indicates that the socialist way of life is a two-fold phenomenon, bein entirely determined, as it is, by the socialist mode of production, i.e., by its productive forces and its inherent socialist relations of production. On the one hand, it is useful, concrete human activity in the production and reproduction of man, and on the other, it is the socialist social form of that activity, and the close connection between the two-fold structure of the socialist way of life and the dual nature of socialist labour will be easily observed.

However, let us look at this aspect of the socialist way of life in greater detail.

2. The Concrete-Economic and Socio-Economic Aspects of the Socialist Way of Life

The two-fold character of the socialist mode of production, which presents itself as a dialectical unity of socialism's productive forces and its social relations of production, predetermines not only the two-fold structure of the process of production and reproduction of the socialist type of individual, i.e., the socialist way of life, but also the character of that duality. On the one hand, there is the concrete-economic aspect of the socialist way of life which is

directly determined by useful socialist labour, and the level to which socialism's productive forces have been developed, and on the other, the socio-economic aspect of the socialist way of life which is directly determined by the social form of socialist labour and the predominant system of the socialist relations of production.

Indeed, the production and reproduction of human beings is effected above all in the interaction of labour-power and the means of production in the direct production of material and spiritual values. Marx described the interaction of the production of the means of subsistence which man needs and the production of man himself as follows: "He opposes himself to Nature as one of her own forces, setting in motion arms and legs, head and hands, the natural forces of his body, in order to appropriate Nature's productions in a form adapted to his own wants. By thus acting on the external world and changing it, he at the same time changes his own nature." [1]

At the same time, the process of man's production and reproduction is also effected in the sphere of individual consumption, which is, alongside the production of material and spiritual values, a most important structural component of the concrete-economic aspect of the human way of life. Marx says: "It is obvious that man produces his own body, *e.g.*, through feeding, one form of consumption. But the same applies to any other kind of consumption which in one way or another contributes to the production of some aspect of man. Hence this is consumptive production." [2]

The concrete-economic aspect of way of life is determined directly by the level of the society's productive forces, which means the available means of production, manpower, and the quantity and quality of the articles of consumption. This aspect of way of life characterises it from the standpoint of men's concrete activity in the sphere of production and consumption, the content of their labour and consumption, their life, whether in poverty or abundance, in well- or ill-equipped houses, the state of their literacy or illiteracy, the necessary conditions for their development, and so on.

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[1] Karl Marx, *Capital*, Vol. I, p. 173.

[2] Karl Marx, *A Contribution to the Critique of Political Economy*, pp. 195-96.

There is a need to bring out the concrete-economic aspect of way of life because it is a part of its objective structure, and it pays to do so for several reasons.

First, it provides an important argument for a critique of bourgeois conceptions. It is a fact that bourgeois theorists tend to lay stress on the concrete-economic aspect of way of life, and to ignore the whole range of phenomena which constitute it. In so doing, they obscure the most important element, which is the socio-economic substance of the specific way of life that is organic to this or that mode of production. In this manner, way of life is considered outside the context of the mode of production which has generated it, and so is invested with false and unhistorical characteristics. That is precisely the technique used to falsify way of life as a category in the bourgeois theory of some "consumer society" according to which the stages of historical development attained by a society are established from the standpoint of the quantity and quality of the available articles of individual consumption.

While that is highly important, it cannot in any sense be a criterion for establishing the periods of the socio-historical process, because it ignores the most essential characteristics of the stages of social development, namely, the level of development of the society's productive forces, and the character of the predominant social relations of production.

Second, it is important to bring out the concrete-economic aspect of way of life also because it helps to disclose the inner structure of way of life and its internal contradictions, and thereby also the motive forces underlying the development of this or that historically determined way of life.

Third, an analysis of the structure of way of life to show its concrete-economic and socio-economic aspects helps to shed a scientific light on the connection between "way of life" and "living standard", a category characterising the extent to which the people's material, spiritual and social requirements are satisfied. It follows that living standard is an expression of the concrete-economic aspect of the production and reproduction of human beings, and not in any sense of way of life as a whole, which is a much broader concept and includes both the concrete-economic and the socio-economic activity in the production and reproduction of human beings.

At the same time, like the concrete-economic aspect of way of life, living standard is influenced by the dominant relations-of-production system, and for that reason acquires important socio-economic characteristics. For instance, with the productive forces at one and the same level of development, consumer goods are differently distributed between the various classes and social groups under socialism and under capitalism. One and the same technical invention has a different impact on living standards in the capitalist and the socialist countries: under capitalism, every technical innovation poses the threat of more unemployment, often leads to greater intensification of labour, and so on, whereas under socialism these same devices and gadgets have a totally different social result for the worker: better working conditions, more meaningful and varied labour, and creation of more favourable prerequisites for the all-round development of the socialist individual's creative capacities.

It stands to reason, therefore, that the dominant form of social relations of production lends concrete-economic activity in the production and reproduction of human beings a special social orientation and predetermines the objective and the direction in which use is made of the available producer and consumer goods.

It is even more essential to bring out the other aspect of way of life, namely, its socio-economic aspect, for under socialism it is determined by the system of socialist relations of production, with socialist property in the means of production having the crucial role to play. That helps to bring out the socio-economic substance and fundamental distinction of the socialist way of life from the capitalist way of life and to show its definite social quality.

Identification of the socio-economic aspect of the socialist way of life is also of essential importance for a critical analysis of contemporary bourgeois economics, which makes use of the similarities of the material (natural) aspect of production and consumption in the socialist and the capitalist countries to propound diverse vulgar and apologetic conceptions like "one industrial society", "consumer society", and so on, all of which ignore the fundamental socio-economic distinctions between these two modes of production.

It is also important to bring out the concrete-economic and the socio-economic aspects of the socialist way of life

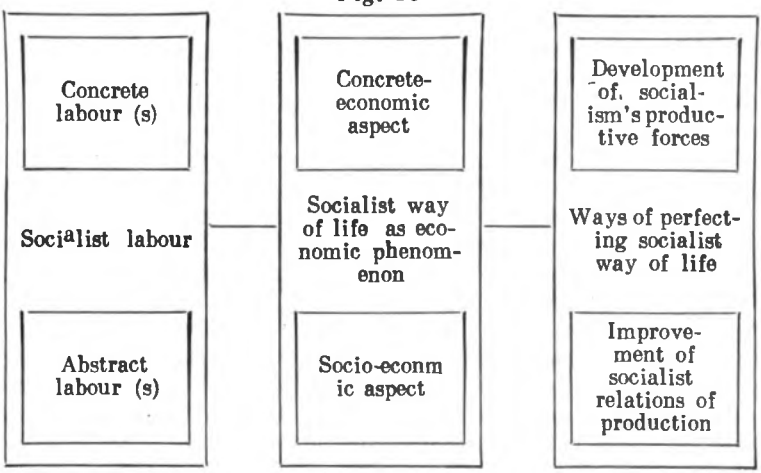
for determining the guidelines on which the given way of life is to develop and improve.

Indeed, if the socialist way of life has a two-fold structure, its improvement should likewise involve both its concrete-economic and socio-economic aspects.

Improvement of the concrete-economic aspect of the socialist way of life includes all the processes in the development of the socialist society's productive forces, realisation of STR advances, addition of variety and intellectual ingredients to labour, improvement of working conditions, the raising of the working people's skill standards, and a number of other processes in the development of socialist production. At the same time, improvement of the concrete-economic aspect of the socialist way of life includes the development of individual consumption by socialist working people, which means ever higher living standards, better structures of consumption with a larger share of higher-quality consumer goods for cultural and everyday purposes, an ever greater proportion and scale of consumer services, products of spiritual production, and so on.

For its part, improvement of the socio-economic aspect of the socialist way of life ranges over all the processes in the development of the socialist social relations of production towards a further consolidation of the developed socialist society, such as the development of socialist property in the means of production in both its forms—the whole people's and collective-farm and cooperative property, fur-

Fig. 39


Concrete labour (s)
Socialist labour
Abstract labour (s)
Concrete-economic aspect
Socialist way of life as economic phenomenon
Socio-economic aspect
Development of socialism's productive forces
Ways of perfecting socialist way of life
Improvement of socialist relations of production

ther perfection of the socialist principle of distribution according to work, improvement of the quality and efficiency of planning and management of the national economy, etc.

The following diagram shows the processes and phenomena of the socialist way of life.

The above diagram shows that Marx's dual-nature-of-labour doctrine also proves to be effective as a methodological instrument for analysing the socialist way of life as a most complex and multi-faceted phenomenon.

* * *

The foregoing warrants the conclusion that a scrutiny of the phenomena and processes of the socialist economy from the standpoint of the dual nature of socialist labour shows that they are all two-fold, with every unit of the socialist economy having an intrinsic connection both with the productive forces and the socialist relations of production. It is an approach that is highly important in establishing the definite quality of these phenomena and processes, something that is a necessary prerequisite for formulating scientific politico-economic concepts. It also makes it possible to discover the interconnections between the phenomena and processes of the socialist economy, thereby presenting the categories of the political economy of socialism as a scientifically grounded system, a procedure which is also of great theoretical and practical importance.

An analysis of the socialist economy with an eye to its specific features in the light of Marx's dual-nature-of-labour doctrine gives a more profound insight into the inner relations underlying the development of the socialist economy.

CONCLUSION

The dual nature of labour is a complex economic phenomenon which has a historical character. It is complex above all because labour presents itself simultaneously both as a phenomenon of the society's productive forces and as a phenomenon of its relations of production. On the one hand, labour represents man's relation with Nature, i.e., a phenomenon of the productive forces, and on the other, it is a social relation of production between men, and a confusion of these two aspects of labour inevitably tends to produce substantive mistakes in economic theory.

Labour is a complex economic phenomenon also because it has a dual nature both within the framework of the productive forces and as a relation of production.

As the crucial element of the society's productive forces, labour has two aspects: first, it is useful labour, i.e., purposeful production activity, and second, it is expenditure of labour in the physiological sense of the word, i.e., the expenditure of human physical, mental and nervous powers for the production of necessary goods and services. Labour will be found to have these two aspects at every historical stage of social development, although they naturally tend to be modified with the development of the society's productive forces.

Since labour as an element of the productive forces has two aspects—useful labour, and the physiological expenditure of labour considered irrespectively of the useful form of labour (labour in general)—like all the other elements of the productive forces they are necessarily expressed in definite social forms, i.e., in men's social relations of production which are known to be the social form in which the productive forces develop.

It follows that as a social relation of production, labour also has a dual nature.

At the various stages of social development, under different social economic formations characterised by the domination of specific forms of property in the means of production, the dual nature of labour as a social relation of production tends to acquire a different socio-economic content and various concrete forms, but for the above-stated objective reasons labour retains its duality at every stage of social development.

That suggests the following important conclusion: whatever the concrete forms of the dual nature of labour at this or that stage of social development, the dual nature of labour is the objective basis for the two-fold character of all the economic phenomena at the given stage.

The dual nature of labour—useful labour and labour in general—acquired specific social forms even under the primitive communal system, even before the emergence of commodity production.

With the emergence of commodity relations, useful labour and labour in general, as phenomena of the productive forces, tend to acquire the corresponding forms of concrete and abstract labour, so determining the duality of all the phenomena of commodity production.

Marx's discovery of the dual nature of the labour incorporated in commodities and his analysis of the development of the contradictions between the two aspects of labour in the genesis of the capitalist mode of production have had an exceptional role to play in the formation and development of the scientific political economy of the working class and in the revolution which Marx carried out in political economy.

Within the commodity relation, which has a complex, two-fold structure, Marx discovered the embryo of all the contradictions of the capitalist system, of all its social antagonisms, and the causes for which it is historically transient. That is why Marx regarded the dual nature of the commodity-producers' labour as the starting point for a scientific analysis of the capitalist mode of production and its contradictions, and as the basis for explaining all the facts relative to its origination, functioning, development and decline in their law-governed interconnection.

In this context, Lenin says: "The subsequent exposition shows us the development (*both* growth *and* move-

ment) of these contradictions and of this society in the Σ [summation] of its individual parts, from its beginning to its end."[1] From that angle, Marx scrutinised the development of the whole system of contradictions of the capitalist system, from the contradictions of the commodity to the contradictions of the society's productive forces and the system of capitalist relations of production, the alfa and omega of the dual nature of all the economic phenomena and processes of the capitalist mode of production (see Fig. 1).

The origination and development of the new social system—the communist socio-economic formation—poses some vital and complex tasks in analysing the system of its objective laws, with Marx's dual-nature-of-labour doctrine being of the utmost importance. The application of this key methodological conception implies the consideration of each economic phenomenon and process under socialism, each of its economic laws and all these laws in their aggregate from the standpoint of the dialectical unity of socialism's productive forces and its social relations of production, of which the elementary from is the non-antagonistic contradiction between the unity fo useful labour and its socialist social form.

The need and fruitfulness of such an approach has been demonstrated by the above analysis of the phenomena and processes of the socialist economy in the light of the dual-nature-of-labour doctrine. It has shown that the method is universal and that it can in principle be applied to all the economic phenomena and processes of the socialist mode of production as the first stage of the communist formation.

One should also bear in mind that under socialism, the dual nature of labour is manifested in specific social forms which are distinct from those to be found under capitalism. Under socialism, the socio-economic nature of labour itself undergoes a change, and the dual nature of labour is substantially complexified because it acquires the feature of what could be called a dual duality, a fact which helps to explain the highly complex nature of all the phenomena and processes of the socialist economy.

But that should not in any sense obviate the need for applying Marx's dual-nature-of-labour doctrine in analys-

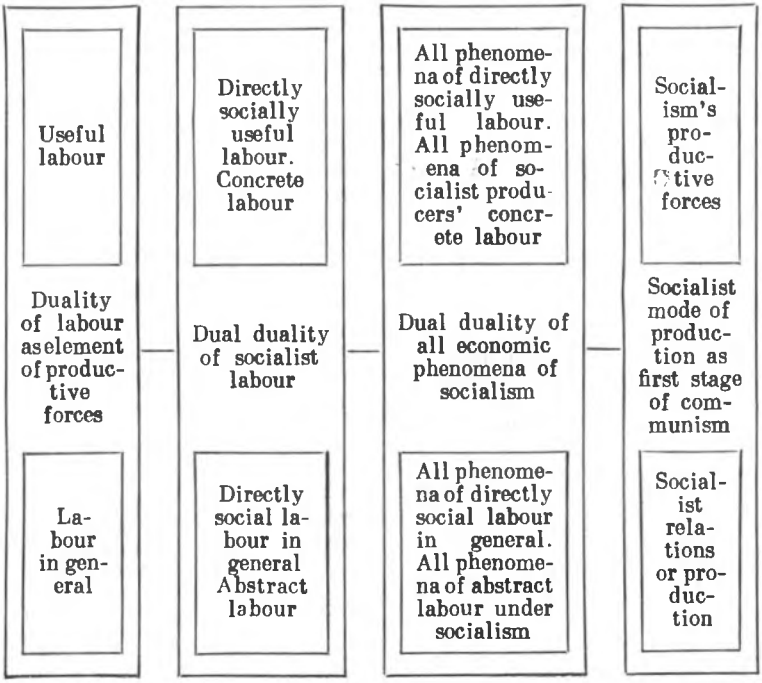
[1] V. I. Lenin, "On the Question of Dialectics", *Collected Works*, Vol. 38, p. 359.

ing the socialist economy, provided, of course, full account is taken of its fundamental distinctions from those of the capitalist economy (see Fig. 40).

The diagram shows that in the new historical conditions—under socialism—the structural uniformity underlying commodity relations, which Marx discovered, tends increasingly to give way to the basic structural uniformity of directly social production. The gradual withering away of commodity-money relations with the transition from the lower, first stage of communism to its higher, second stage and the attainment of a high degree of maturity of directly social production do not eliminate the dual nature of labour as an element of the society's productive forces (useful labour and the physiological expenditure of labour) but invest it with new socio-economic forms.

It follows that Marx's dual-nature-of-labour doctrine, concretely applied to the conditions of directly social production in its mature form, does not lose its methodolog-

Fig. 40

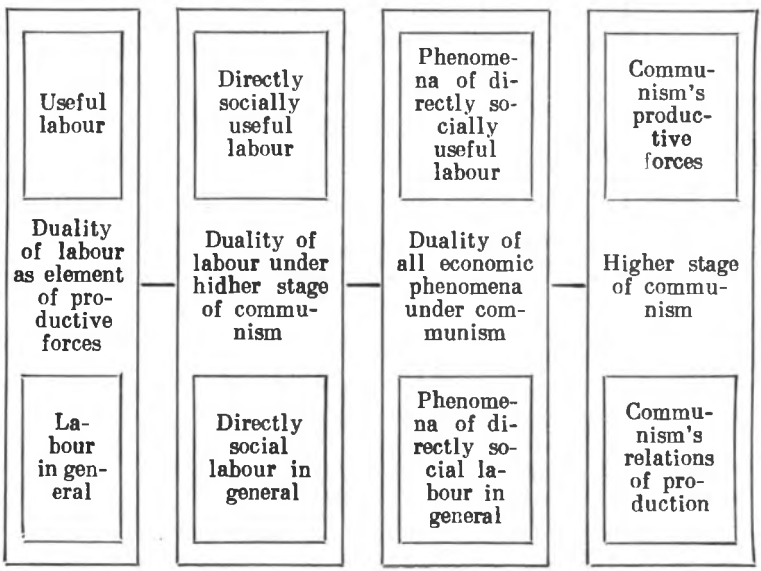

Useful labour
Directly socially useful labour. Concrete labour
All phenomena of directly socially useful labour. All phenomena of socialist producers' concrete labour
Socialism's productive forces
Duality of labour as element of productive forces
Dual duality of socialist labour
Dual duality of all economic phenomena of socialism
Socialist mode of production as first stage of communism
Labour in general
Directly social labour in general Abstract labour
All phenomena of directly social labour in general. All phenomena of abstract labour under socialism
Socialist relations or production

ical significance even at the higher stage of communism (see Fig. 41).

The social forms in which the dual nature of labour is manifested as an element of the society's productive forces are historical in character, and that needs to be taken into account when applying Marx's dual-nature-of-labour doctrine as a methodological instrument in studying this or that mode of production. The social forms in which useful labour and labour in general are expressed under the primitive communal system of production are quite different from those under the domination of commodity relations, i.e., under capitalism. Under socialism and communism, these social forms acquire a qualitatively new socio-economic content. That is an expression of the historical nature of the social forms in which the dual nature of labour is manifested.

Such a concrete historical application of Marx's method is a reflection of the continuity of methodology in political economy in the broad sense of the word, as a political economy which has for its subject not just one (say, the capitalist) mode of production, but all the modes of production, including the socialist social system.

Fig. 41


Useful labour
Directly socially useful labour
Phenomena of directly socially useful labour
Communism's productive forces
Duality of labour as element of productive forces
Duality of labour under hidher stage of communism
Duality of all economic phenomena under communism
Higher stage of communism
Labour in general
Directly social labour in general
Phenomena of directly social labour in general
Communism's relations of production

SUBJECT INDEX

A

Arms race—282

B

Bourgeoisie—207, 210, 229, 233, 243, 247, 278, 283, 365, 368

C

Capital—17, 19, 21, 31, 32, 36, 39, 46, 53, 54, 56, 66, 91, 116, 117, 120, 121, 123, 124, 133, 138, 141, 144, 145, 148-56, 159, 160, 163, 177, 178, 180, 187, 189, 191, 192, 195, 203, 205, 206, 209-11, 215-21, 223-25, 228, 234, 235, 239, 248, 250, 261, 264, 274, 275, 278, 281, 282, 291, 294, 329, 330, 351, 355
—advanced—23
—banking—234, 241, 243, 256
—commercial—245
—constant—228
—current—213
—finance—241-49, 256
—fixed—213, 214, 219, 220
—industrial—210-13, 234, 237, 241, 245, 256
—money—211, 237, 242, 249
—variable—223, 228, 261
—concentration of—237-39, 241, 256, 266
—costs of circulation—213, 214, 299
—export of—249-53, 256
—wear and tear of—214
Capitalism—10, 11, 15-19, 23-25, 31, 32, 36, 41, 43, 45, 46, 53, 55, 64, 72, 73, 102, 109, 116, 129, 134, 140, 141, 146-53, 159-62, 165, 168, 173, 180-83, 186, 192, 194, 195, 199, 202-04, 206, 207, 221, 227, 228, 234-36, 241-44, 246, 247, 252, 255, 259, 260, 269, 270, 272-75, 278, 279, 282, 285, 286, 293, 305, 308, 339, 340, 360, 365, 368, 372, 379, 380
—general crisis of—98, 100-01, 206
Collectivism—305, 369
Colonialism—252, 253
Commodity—12, 15-18, 22-25, 29-32, 34, 36, 41, 46, 48, 50-52, 53, 56-58, 60, 61, 63-74, 80, 81, 84-86, 88, 95, 117, 119-25, 129, 137, 155, 163, 169, 178, 191, 195, 196, 209, 213, 214, 222, 239, 243, 292, 299, 307, 309, 311, 320, 336, 378
—use-value of—12, 17, 19, 22, 28-30, 32, 37, 39, 41, 142-44, 152, 307, 311
—value of—12, 17, 19, 22, 25, 36, 37, 39, 41, 46, 67, 69, 72, 79, 82, 87, 110, 114, 125-28, 138, 141, 145, 149, 171, 173, 178, 190, 191, 194, 195, 197, 199, 200, 207, 213, 215
Communism—287, 297, 348, 379-80
Competition—336, 360, 368
Conception of
—"axial principle"—268, 269
—"consumer society"—243, 372
—"convergence"—279
—"deproletarisation"—279
—"economic growth"—283-84
—"factors of production"—265, 266
—"industrial society"—271, 273, 274
—"mature corporation"—277
Consumption
—articles of—137, 151, 192, 195, 196, 198, 199, 202, 206, 207, 228, 311, 347, 351, 352, 372, 373
Corporation—276, 277
Credit—241, 249
Crises
—economic—12, 98, 220, 270, 275, 280, 305
—monetary—97, 99, 100, 275

D

Dialectical materialism—289-91, 295, 303
Dialectical method—24, 85, 291
Dialectics—12, 45, 93, 96, 289, 291, 352
Discipline of labour
—capitalist—146
—socialist—314, 328, 337-43
Discrimination—230, 232

E

Economics
—capitalist—11, 19, 20, 23-25, 102, 258, 275, 277
—socialist—10, 296, 301, 310, 344-45, 356-57, 374, 379

F

Feodalism—12, 49, 269

G

Gold—96-98, 100-03, 213

I

Imperialism—11, 21, 151, 180, 203, 205, 234, 242, 245, 248, 251-55, 331
Inflation—233, 270, 282

L

Labour
—abstract—13, 15-21, 24-33, 35, 37-40, 43-45, 48-52, 55, 56, 58, 61-63, 65-69, 73, 75, 77, 82, 85,

93, 103-05, 108-14, 117, 119-23, 129, 138, 140-46, 148-53, 163-69, 173-79, 181, 199, 210, 214, 215, 228, 233, 252, 259-64, 269, 272, 275, 279, 283, 299, 301-03, 305-08, 328, 342, 347, 351, 352, 358, 374, 379
—concrete—13, 16, 17-21, 24-33, 35, 37-56, 58, 61, 62, 67, 69, 73, 75, 85, 93, 103-09, 113, 114, 117, 119, 123, 129, 142-54, 165, 173-82, 194-214, 228, 233, 242, 252, 259-63, 269, 272, 275, 279, 283, 299, 301-05, 309, 315, 318, 320, 339, 342, 345, 347, 351, 352, 358, 359, 374, 379
—wage—54, 180, 209, 226, 227
—social form of—32, 35, 47, 48, 52-53, 151, 152, 329
—useful form of—26, 28, 32, 123, 124, 140, 168, 302, 303, 305, 314, 376, 379, 380
—intensity of—104-08, 112-15, 132, 135, 168-71, 178, 187-90, 198-200, 373
—process of—139, 142-47, 149, 162, 163, 177, 180, 181, 236, 237, 247, 256, 262, 263, 265
—productive power of—103, 105-15, 127-29, 132, 134, 171-81, 187, 189, 190, 194-201, 215, 237
—productivity of—103-05, 190, 202, 203, 325, 329, 331, 333
Labour power—25, 26, 36, 123-37, 140, 144, 150, 155. 159, 167, 170, 175-78, 183, 186-200, 201, 204-07, 212, 215, 221-25, 228, 237, 278, 282, 325, 339, 371
Labour time—35, 75, 84, 129, 130, 132-35, 141, 173, 189, 201, 204, 356-58
—necessary—133, 183, 191, 196
—surplus—133-37, 167, 191, 196
Law
—of balanced proportionate economic development of the national economy—359-63
—of increasing requirements under capitalism—192-93, 198-99
—of value—15-17, 46, 125, 202

M

Marginalism—283
Material incentives for labour—314
Materialism—24, 289
Marxism-Leninism—159, 234, 245, 269, 289, 290, 366
Means of production—49, 137, 138, 141, 144, 145, 151, 175, 180, 183, 193, 211, 217, 223, 224, 237, 247, 275, 315, 317, 347, 351, 369, 371, 373
Militarism—282
Mode of production—22, 23, 43, 366-68, 379, 380
—capitalist—16, 18-23, 32, 42-44, 366, 368, 381
—communist—366, 369, 370
—feudal—382
—primitive communal—366
—slave holding—366
Money—29, 31, 36, 46, 57, 64, 74-103, 117, 119, 120, 133, 185, 206, 214, 219, 220, 275, 282, 292, 299, 336, 368
Monopolies—206, 234, 235, 238, 242, 245, 248, 251, 252, 254-56, 273, 275
Movement
—Luddites—20
—national liberation—22, 234, 259
—working-class—21, 159, 234, 259

N

National income—138, 226-28, 251, 253, 262, 297, 328, 345, 347, 355-59
Neocolonialism—11, 252, 253, 255, 256

O

Opportunism—245

P

Physiocrats—38, 147
Planning of the national economy—301, 359
Private property in the means of production—12, 193, 233, 267, 368
Product—50-57, 84, 147-49, 151, 178, 209, 261, 263, 299, 303, 306-11, 313, 315, 322, 330, 352, 353, 356, 369
—aggregate social—344, 348-55
—gross—348-50, 352-54
Productive forces—12, 25, 26, 32, 41, 50, 52-54, 104-09, 146-53, 160, 178, 190, 191, 193, 194, 207, 208, 235, 239, 247, 253-55, 269, 270, 272, 278-80, 282-84, 302, 303, 329, 331, 332, 359, 360, 366, 370-80

Relations of production—22, 25, 32, 42, 46, 50, 55, 146, 148, 160, 178, 235, 247, 253, 255, 269, 270, 277, 280, 284, 288, 293, 296, 299, 302, 303, 307, 321, 329, 330, 368, 376
—capitalist—19, 21, 24, 26, 41, 46, 56, 150, 153, 179, 194, 206, 208
—socialist—286, 295, 297, 316, 317, 321, 344, 370, 373, 374, 379
Rent, ground—262, 263
Reproduction
—capitalist—344
—socialist—344, 350
Revolution (socialist)—127, 208, 234, 270

S

Scientific and technical revolution—33, 115, 137, 156, 159, 162, 264, 272, 324, 325
Social property in the means of production—287, 367
Socialism—10, 11, 49, 111, 137, 159, 246, 259, 267, 269, 270, 272, 279, 285-88, 292-98, 301, 302, 304, 306, 314-17, 322, 330, 331, 333, 339, 341, 345, 357, 365, 370, 373, 378-80
Socialist emulation—334-37, 343

Socialist property in the means of production—326, 368, 373, 374
—cooperative and collective-farm—326, 374
—the whole people's—326, 374
Surplus-value—16, 17, 19, 23, 41, 55, 56, 69, 116, 118-23, 131, 134-37, 139, 141, 143, 144, 146, 149-54, 156-58, 165-70, 172-77, 181, 189-92, 196, 197, 201, 209-12, 215, 217-21, 228, 250, 263, 264, 316
—absolute—19, 135, 165-68, 170-74, 177-79, 181
—relative—19, 165, 169, 173, 174, 177, 181, 217

U

Unemployment—34, 206, 230, 232, 270, 275, 280, 305, 373

V

Value—22, 25, 32, 34-41, 45, 46, 49-53, 55-68, 74, 75, 77-79, 83, 85, 87, 88, 90, 95, 100, 108-11, 114, 116-25, 125, 130, 134, 137, 139-41, 145, 148, 154, 155, 163, 168, 169, 172, 178, 196, 201, 202, 210, 213-15, 218, 228, 262, 263, 266, 299, 301, 305, 311, 336, 345, 353
—advanced—117, 118, 144
—exchange—34, 37, 40, 57, 58, 60, 79-82, 84, 87-90, 102, 119, 267, 336, 362
—use—26, 28-32, 34, 37-39, 45, 47, 49-65, 67, 69, 75, 84, 85-87, 104, 107-12, 116-20, 122-26, 130, 134, 139-41, 143, 145, 148, 149, 152, 153, 155, 162, 163, 168, 169, 171, 172, 176, 185, 195, 196, 198, 201, 210, 214, 215, 217-19, 229, 233, 236, 243, 247, 254, 267, 281, 299, 301, 303, 305, 307-11, 316-20, 322, 328, 345, 357, 358, 362
—process of expanding—139, 141-46, 148, 149, 162, 163, 177, 180, 181, 237, 256, 263, 265, 315

W

Wages—129, 133, 136, 152, 153, 183, 184, 188, 192
—material (natural)—184, 185
—monetary—197
—nominal—183-87, 197, 201, 202, 230
—real—132, 183, 185-98, 201-08, 226, 227, 230
—value—184
Way of life—365, 366, 367, 370-74
—capitalist—368-69, 373
—socialist—365, 368-70, 373-75
Wealth—263
—general abstract—89-92, 95
—national—229
Working day—166-72, 178, 189, 191, 197

NAME INDEX

A

Afanasyev, V.—10, 14, 276
Andropov, Yu. V.—341
Aristotle—57
Aron, R.—274

B

Bailey, Samuel—267
Bell, Daniel—268-70, 274
Beveridge, William H.—280, 281
Bukharin, N.—306, 348

C

Clark, J. M.—272

D

Darvin, Charles—14
Doroshev, I. A.—10
Dvorzhak, L.—251, 253

E

Einstein, Albert—14
Engels, Frederick—9, 12, 16, 24, 25, 34, 35, 54, 79, 80, 83, 86, 90-92, 94-96, 99, 107, 142, 154, 178, 179-82, 193, 289, 290, 294, 313, 359, 367, 368, 369

F

Fourastié, J.—272
Franklin, B.—77

G

Galbraith, John Kenneth—271, 272, 274-80
Galchinsky, A. S.—11, 14, 96
Garaudy, Roger—264
Gausner, N.—227
Gilbert, M.—94
Gruchy, Allan G.—276

H

Hegel—40, 90, 293
Hilferding, Rudolf—242, 244-47
Hobson, John A.—244

I

Ivanov, N. P.—33

K

Kassirova, E. P.—105
Keynes, John Maynard—90, 280
Kon, A.—294
Kopnin, P. V.—79
Kozlov, C. A.—202
Kuzmin, V. P.—82

L

Lantsov, V.—10, 14
Lenin, V. I.—12, 17, 42-44, 46, 52, 53, 78, 197, 199, 227, 234-36, 239, 241-43, 248, 249, 289, 290, 293, 306, 333, 335, 338, 340, 346, 348, 378

M

MacCulloch, John—267
Marx, Karl—9-11, 13-16, 18, 22-30, 32, 34-44, 46, 47, 49-55, 57-68, 70, 72, 74 75, 77-90, 92-97, 102-11, 114, 116-21, 123-27, 130, 131, 133, 137-42, 144, 145, 147-59, 161, 163, 166, 168, 169, 171-73, 177-83, 185, 191, 193, 195, 201, 209, 210, 212-25, 258-63, 265, 267, 274, 283-87, 289-95, 302, 304, 313-16, 318, 323, 324, 336, 338, 339, 344-46, 349-52, 354-59, 365-67, 369, 371, 375, 377-81

N

Nevin, Edward—264
Nikolayev, D.—276

P

Perlo, Victor—281
Perroux, François—272
Petty, William—9, 35, 37, 38
Plato—183
Preston, L. E.—276
Pronin, S. V.—226

R

Ricardo, David—9, 13, 22, 23, 35, 36, 39-41, 147, 223, 267
Robinson, Joan—229
Rostow, W. W.—271

S

Samuelson, Paul A.—229, 230, 264
Say, J.-B.—39, 40, 264
Shemyatenkov, V. G.—283
Shishkov, Y. V.—99
Sloan, Harold S.—264
Smith, Adam—9, 13, 22, 36, 38, 39, 57, 147, 211, 261-63

T

Torrence, Robert—267
Trahtenberg, I. A.—98
Trotsky, L. D.—341

U

Usoskin, V. M.—283

V

Vygodsky, S. L.—207, 240, 282

W

Wright, F. J.—264

Z

Zurcher, Arnold J.—264

The well-known Soviet economists consider the problems of political economy in the light of Marx's dual-nature-of-labour doctrine, which he believed to be the starting point for an understanding of political economy, indeed, of all the facts in the economic life of the society.

They show that the unity of the two aspects of social production is manifested in the dual nature of labour, which in embryo contains all the contradictions and antagonisms of capitalism that witness to its transient character.

In a fundamentally new approach, they show that the dual-nature-of-labour doctrine can and must be used to analyse the system of socialist relations.

1 р. 95 к.